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Some Comments on Tamil Nadu — An Economic Appraisal — 1988

Reservations in Theory and Practice

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EDITORIAL - SOME HIGHLIGHTS

I. General Economic Scene

State

Planning Commission

The Chief Minister who is also chairman of the Planning Commission had a meeting with the members of the Union Planning Commission on the State's Annual Plan at which the Rs. 1450 crores Plan for 1990-91, as reported in the last session was confirmed. There was a meeting of the Commission on Feb. 27 in Madras when two major issues were discussed. One was decentralization of Plan formulation to the Panchayat Councils (Block) level, starting with five functions of primary education, water supply, health facilities, rural housing and roads. The other was a review of the sector of agriculture and allied activities and protection of environment in the VIII Plan, when there was general agreement that this area again needs to be planned from the block, the planning commission draft being essentially guidelines to the blocks and that some further funds should be moved to this sector to express the priority of the new government. The commission in mid February reviewed the operation of the education sub sector for 1989-90. While noting that the quantitative targets were met in most cases, it was decided at the next review to look at the learning process taking place (or not taking place) in schools, at the statistics of completors at the end of each standard, at the means of mobilising resources for school building at the secondary school level, at the means of increasing the membership of students entering the vocational stream at the +2 level, at the functioning of the large number of self financing polytechnics and engineering colleges and at the reasons for the poor graduate and post graduate performances of all the universities in the state.

Climate and Prices

February started off with a cool and pleasant climate and gradually began warming up. There was an unusual bout of rain in mid February due to

a depression which had formed in the bay. In response to repeated appeals from the state government as noted in the last two issues of the bulletin, the government of Karnataka released 5 tmc ft of cauvery water into the Mettur which provides some partial relief to the farmers. This water has been released in return for the equivalent amount of electric power of 254 mu which Tamil Nadu has to make available to Karnataka. Actually, the power owing to Karnataka has now built up to over 500 MU and the state is making arrangements to meet these arrears, despite its own power position not being a happy one. On prices, the November issue of CSO's monthly abstract of statistics reports that the index of industrial workers for September rose by 10 points to 884 over August as reported in the last issue, the index of consumer prices for agricultural workers rose by 1 point to 708 in August (over July) and by a steep 17 points to 726 in September due mainly to the parallel 17 point rise in food prices to 780 (why food price should rise for the poor villagers when the foodgrain harvest is reported to be on target for 2 successive years), and the revised consumer prices for non manual urban employees for September moves up marginally by 1 point to 153 for Madras, by 2points to 148 in Coimbatore, to 3 points to 152 in Madurai, to 1 point to 145 in Salem and 1 point to 149 in Tiruchirapalli, showing the urban middle class facing less of the inflation impact than the rural masses.

Power

The power situtation in the state in February was normal, with all power cuts except the demand cut of 20 per cent withdrawn. The Rs. 7 crores micro hydel power station at Pykara dam was commissioned on February 5. The Ennore thermal plant is to put its 4th unit into operation in March to produce 210 MW. In the VIII Plan, 2 units of Tuticorin Thermal producing each 210 MW will be commissioned (in 1991). The 125 MW Basin Bridge gas turbine is to receive gas from the cauvery delta. There is to be a 10 MW gas turbine at Narimanam. The government also announces that the state's wind mills are producing 3 MW which before March end will be increased to 11 MW. During the VIII Plan power from wind mills is to be increased to 100 MW. The Board states that the VII Plan power target of 1415 MW will be exceeded by 450 MW by 31 March 1990. Altogether capacity addition in the VIII Plan on the above basis will be nearly 2,000 MW. The government also announces that the North Madras Thermal power plant which is to generate 630 MW would be ready in 3 years. The Union energy ministry announced that as part of its plan to increase power during the VIII Plan by 38,000 MW, a series of coastal thermal plants are to be set up as one means of easily moving coal to the plants by sea. The Tamil Nadu Electricity Board states that it is commissioning a series of power stations - 6MW Vaigai micro hydel station, 8 MW micro hydel station that it is also examining a proposal to set up a 1000 MW thermal station using the lignite deposits recently discovered in Jayankondan of Tiruchirapalli district. The government states that it has decided to set up a non-banking institution, the Tamil Nadu Power Finance and Infrastructure Development Corporation with a seed capital of Rs. 10 crores contributed by it to mobilise finance for the state's Electricity Board.

The power situation in the country in February was normal in most parts of the country. Karnataka has a power cut because its power demand is well in excess of its supply. AP announces that it is increasing its power cut of 40 per cent in order to meet the summer short supply and increase in demand. Maharashtra State Electricity Board reports its excellence in many respects such as the number of consumer connections for agricultural pump sets, capital investment transmision net work and its performances but also its many problems such as breakdowns, interruptions, low voltages—problems which are general for all state electricity boards. The union ministry's proposal to import 20 million cubic metres per day of gas for generating power does not make sense as the domestic gas is being wastefully flared, in light of which the expending of scarce foreign exchange resources to import it is unsound. It would be cheaper to set up gas based power plants in the North East, such power could be transmitted to the rest of the country through a net work of pipelines. Generating power in the North East and transmitting it from there is costly but has advantages which go beyond the economists cost benefit measure, as it will benefit the backward North East through the large scale investment involved, in addition to royalties paid to these states as income flows as well help develop industry in this region. In the immediate future, as the local demand for power from gas in this region will be limited, the neighbouring deficit states will profit. The official group on hydro power equipment forecasts that the demand for such equipment in the IX Plan will be 4-5 times the indigenous manufacturing capacity and so recommends the diversion of foreign assistance to hydro electric projects which will be 26,000 MW demanding 11000 to 12000 MW of additional capacity in the last 2 years of the VIII Plan to manufacture the required equipment. This is not possible, and so the diversion proposal is made. Another group has recommended a review of the pricing norms for coal and gas and charges in the rail freight mechanism to make them remunerative for the power sector. With the very difficult resources position in the VIII Plan, the attainment of even the reduced target for additional power capacity of 38,000 MW is facing serious difficulties. Of the above as just noted 8000 MW are to come from hydro power projects for which the departments have not tied up the needed foreign loans.

Water

The release of 5 tmc ft of water from Krishnaraja Sagar in Karnataka to Mettur which is about 10,000 to 15,000 cusecs referred to earlier, enabled the Mettur reservoir which was closed on February 4 to be opened again from that week. The chief minister of Tamil Nadu and Andhra Pradesh met on February 4 and have decided to expedite work on the Telugu Ganga project so that Krishna water could be supplied to Madras city in 1993 as planned. The AP chief minister acknowledged some delay in the project due to elections, receipt of tenders and staff postings which will now be straightened out and speeded as a result of discussion which the AP team had with their counterparts in Madras.

Transportation

February has been a not uneventful month with regard to rail and air transportation. The Karur — Dindugal BG line

is being speeded with an additional allocation of Rs. 2 crores and the Madurai-Maniyachi MG line is being converted into broad gauge to help develop commercial traffic which is growing in this region. On electrification, the Jolarpettai-Erode track electrification will be completed by June 1991 and the second railway line from Tambaram to Chingleput is being completed by April of this year. There is the problem of EMU in which there is an overall shortage and so the alternatives now being developed on an experimental basis by ICF need to be completed and commercialised at an early date. On the Rapid Transit System for Madras City, Rs. 38 crores have been spent on the Madras - Beach - Luz stretch and with the certainity of further funds in the 1990-91 budget, there is need for the state government to take action to release the land needed upto Luz. The State government by an ordinance at February end levied entry tax on motor vehicle entering Tamil Nadu for use or sale.

Cyclone disaster warning

Given the fact that the 100 stations in the coastal region of the state and AP have proved operationally efficient in the dessimination of cyclone warning, it is planned to install 100 more such stations, mainly on the coast upto West Bengal. The system transmits the cyclone warning message directly to the areas likely to be affected, using the broad cast facilities on board on satellite and this early warning saves lives — human and animal — who move into the disaster shelters and also property of the affected. The warning comes from the network of 10 highpower cyclone detection radars which provide overlapping surveillance upto a range of 400 km out at sea. The effective protection given by the system is already demonstrated in the little damage to life caused by the 1989-90 cyclone.

Rice deficit and AP market operation

This year even with the rice production reaching its target of 56 lakh tonnes, the government foresees a shortfall of 10-11 lakh tonnes on the basis of demand at current consumption levels. The stagnation in rice production around 55-57 lakh tonnes during the past 17 years is worrisome particularly as the per capita rice consumption in the state is below the national average and population is growing at near 2 per cent per year. This year's shortfall will be met through procurement in the AP market but a long term solution involves both an increase in per acre yield and better methods of milling, hulling and storage to conserve and increase the paddy rice yields.

Panchayat Finances and 5 day week

The government has consituted a committee under the chairmanship of A Damodaran in accordance with section 143 A of the recently passed Tamil Nadu panchayats Act (see Volume XX p3) to review the financial position of panchayats and panchayat union councils and make recommendation on the taxes, duties, tolls, grants and other amounts to be assigned to these bodies. This is a quadrennial exercise required by the Act and is of decisive importance in developing panchayats and panchayat councils as a means of decentralised functioning of plans and governance. The government also announced the change to a five day

working week from February 12. This change was a result of the pressure by the staff and some members of the legislature. It is to be compensated by increase in the working hours by 30 minutes on each of the five days. This is not likely to be followed as even the existing hours of 10 a.m. to 5.30 p.m. are not kept. The loss to the state and the community in the state domestic product as a result of this change will be about 10 - 12 per cent of the state income, which the state at this time of resource scarcity cannot afford.

National

Plan

February saw reports from the Planning Commission of the various facets and steps involved in preparing the approach paper with regard to the focus on employment, the emphasis on policies and downgrading of quantification; the identification of 5 thrust areas comprising agriculture, employment generation, infrastructure, minimum needs programme and strengthening of local participation in the economic development of the area ; decentralisation as the cornerstone of the VIII Plan involving identification of a cluster of villages based on local characteristics like local products, nature of farming and natural resource potential for setting up self employment schemes as well as wage employment schemes which will make the programme of poverty allieviation, employment generation and provision of education and health facilities effective in meeting each area's special condition and needs. The Planning Commission at a full meeting on Feb. 12 approved the draft approach paper which is to be revised on the basis of the suggestions and modification made at the meeting and the revised draft is to be presented to the cabinet and on its approval to the National Development Council. It is pointed that unlike the previous approach paper (See Vol XIX p463) which laid emphasis on number, targets and growth rates, the present paper attempts a reassessment of the plan process with account on human beings and total social transformation which in turn involve strengthening the federal structure, decentralization of authority, peoples participation, development of the rural sector, focus on the role of women in economic activities and employment. The size of the Plan has not been determined because on the one hand, the resources likely to be available and Finance Commission's recommendation on their being shared between the union and the states will take atleast months to be known in light of the government's consulation with state governments and its decision, and on the other hand the detailed cost implication of the schemes aimed at translating the constitutional 'right to work' into reality, the allocation of 50 per cent of total investible plan resources for integrated rural development and the pledge to write off farm loans upto Rs. 10,000 per small farmer have still to be worked out. This means that the Approach Paper will not contain data on total plan outlay including the public sector outlay which will be worked out in the Plan document on the basis of the decision of the National Development Council on the proposed policies. On this basis, the planning commission forecasts that the Eighth Plan draft would be ready by August end and presented to the National Development Council in September. Discussions on

the Annual Plan 1990-91 of the states and union ministries are concluding, the guiding principle in finalising the plans being to protect the plans in real terms so that they are not smaller than that of the current year. In fact there is speculation that the Prime Minister as chairman wants an increase of 12 per cent in the Plan. The Planning Commission states that it has recommended a minimum outlay of Rs. 5150 crores for the railways during 1990-91 which is 6 per cent lower than the Rs. 5500 crores sought by the ministry and is 12 per cent higher than the 1989-90 plan outlay which was Rs. 4450 crores. The commission recommends a higher level of budget support than the present 40 per cent (the railways have asked for 45 per cent) but has recommended against the railway's a proposal to raise funds by the issue of Rs. 800 crores of bonds in 1990-91. In order to boost the process of decentralization in planning, for the first time the commission has allotted to each member a certain number of states in order to bring about a total integration of the central planning process with the state plans.

Prices and Union borrowings

Inflation in January was 0.8 per cent on a point to point basis, as the wholesale price index rose by 1.2 points to 167.1 on January 27. The annual rate of inflation on a point to point basis was 7.3 per cent as of the last week of January and was 7 per cent on the average for the year ending January. The rate of inflation was due to the rise in the prices of primary articles, particularly food articles, which offset the fall in the prices of non food articles. As a consequence the index of manufactured products — beverages, tobacco products, textiles and leather and leather products — also recorded increases. The consumer price index for December 1989 for industrial workers rose for the year by 1.6 per cent and for agricultural labourers rose by 5.4 per cent, with Bhopal and Pune recording a high 9.3 and 9.1 per cent inflation rate. A rather disturbing issue related to the inflation potential of the economy is the RBI report of its credit to government for the period March 31, 1989 to January 12, 1990 standing at Rs. 15,344 crores as against Rs. 9794 crores from March 31, 1987 to January 1, 1988, which is a 57 per cent increase, and which is more than twice the budgeted deficit of Rs. 7337 crores for 1989-90. Even if the end of year accounts lowers this amount of RBI credit, following past year's practice, it will fall to Rs. 10,000 crores, which is still well above the budgeted deficit. This massive liquidity build up will result in super inflation and so there is need for 2 actions : a) the short term, immediate action needed is to cut government expenditure now drastically, particularly on administration, subsidies, support to losing public sector units and defence and so lower the reserve money creation in the longer period b) start with limiting RBI credit to government to a government — RBI agreed figure as recommended by the Sukhumoy Chakravarty report (See Vol. XVII P. 199) and ultimately phase out RBI credit to government which will stop the monetisation of fiscal deficits completely as suggested by the RBI Governor. (See Economic Times Feb. 6 page 4). The Union government completed its fourth tranche of market borrowing, raising Rs. 1600 crores in February, leaving only Rs. 939 crores as the fifth tranche to reach its target for 1989-90 of Rs. 7400.28 crores.

Whether any pressure was brought on the banks to subscribe to the 4th tranche to prevent RBI credit to government further escalating is not known.

Stock Exchange and Black Money

The Bombay Stock Exchange Committee to recommend a code of conduct for financial institutions and their subsidiaries as members of BSE suggests that the existing guidelines can be modified and classified into a) conditions and b) guidelines proper, and that the stock broking community, should gradually adjust to the widening capital market. Under these conditions membership is granted to subsidiaries of financial institutions and banks and stock broking subsidiaries should engage only in activities which other brokers are allowed to do. Whether these conditions will avoid the kind of pressure which speculator brokers brought to bear on BSE to keep the market closed for one more day on February 1 so that there would be a further delay in the completion of current settlement in cash shares by a few more days is open to doubt. The Stock Exchanges have proposed to the finance ministry revised conditions for corporate membership of the SEs under which Directors of Corporate members of stock exchanges would be required to hold 40 per cent of the paid up share capital of the company and that the total liabilities of the corporate member of the SE shall not exceed normally ten times the net worth. How this will work in practice remains to be seen. The corporate private sector is stated to expect Rs. 55,000 crores to be raised from the capital market over the VIII Plan period. This would mean a very slight increase in the amount raised from the capital market as a percentage of gross domestic savings from the VII Plan's 7.3 per cent to 8 per cent in the VII Plan. This would amount Rs. 47,000 crores without inflation and with a 5 per cent annual rate of inflation Rs. 55,000 crores. The government has taken the first of a series of steps, the details of the other steps to be set forth in the upcoming 1990-91 budget, to curb black money circulation. On its urging, the RBI has issued guidelines to all state and central cooperative banks and scheduled banks on how to maintain a close watch on short term accounts with their branches which are opened in large numbers under fictitious names through which black money transaction are routed. By operating such accounts for short periods, the provisions of the Income Tax Act are evaded. To control this channel, banks have been asked to obtain proper introduction when accounts are opened, record the full and correct address of each account holder in the ledger, watching for operations of large accounts, requiring depositors in such account to come personally and sign before an account is opened, obtain confirmation from all introducers of their introduction and incorporating a certificate confirming the identity, occupation and address of the person by the introducer. To help in the easy identification of safe deposit locker keys by IT officers, the banks should emboss on all locker keys an identification code, indicating the branch and bank which hired the lockers. Banks have been asked to extend all aid and co-operation to CBI officials and take serious punitive action against bank staff who connive at black money offences.

Economy

The government announced in February that it is setting up a committee headed by the Secretary, Ministry of Environment and Forests to review the environmental policy, with particular reference to the protection of the tribals interest. The committee will examine the forest rights and concessions enjoyed by tribals and how these can be combined with ecological sustainability. The government states that it is considering setting up a Central Fishery Authority of India during the VIII Plan to tone up the efficiency in the management of deep sea fishery harbours and to develop uniformity in their functioning. The committee headed by Dr. C. Rangarajan, the Deputy Governor set up by RBI to review computerisation in banks and prepare a perspective plan for 1990-94 has submitted its report, whose recommendations have been accepted by the Bank. Recommending concentrating on the top 30 business centres and their 2000 branches each, which account for 51 per cent of total banking business, it states that the main purpose of computerisation in banks is to improve customer service house keeping, productivity and profitability. For prompt, customer service at the branch level, a net work based on a mini computer linked to a number of on line terminals, is suggested. The housekeeping functions such as periodical reports, statutory returns etc. in the 37,000 non computerised branches should be performed by using computers at the nearest regional/zonal office. For this, manpower should be trained —50,000 as data terminal operators, 5000 as supervisors, 8000 EDP managers, 2000 specialists and 400 trainees. The financial future is gloomy unless cuts are made in non plan nondevelopment expenditure. Total revenue expenditure is stated to grow from Rs. 71,542 crores in 1987 - 88; Rs. 656,669 crores in 2015-16, of which administration increases over 10 fold from Rs. 33,818 crores in 1987-88 to Rs. 317,89 crores in 2015-16. This 1989 World Bank's country economic report on India warns against drastic change in India's industrial policy, as any change in its policy of liberalisation and deregulation may threaten the gains made in the last decade. It says the Indian economy is at the cross roads — in the choice whether it wants to go to the Latin America or South Korean way. The report says though absolute poverty ond the rate of poverty is diminishing, poverty is a massive problem. Its finding is that the complexion and context of Indian poverty has changed, so that the many factors that contributed to poverty reduction in the last 15 years will not yield similar results in the future. So an alternative mix of strategy and instruments are needed to deal with poverty. Similarly it states that in agriculture, technological and other factors will slow labour absorption so that industry and service have become the dynamic area to create employment. And for absorbing more labour in industry, labour codes should be simplified and reservation for small industry eliminated. The report recalls that poverty is concentrated in central and eastern India and that a rise 110 million young adults in 15-20' age group will occur between 1980-2000 compared to 69 million between 1960 and 1980, Criticising the anti-poverty programmes for their many leaks, the employment guarantee programme of Maharashtra is commended. It is good that the government has made public this biased report, which asks us to choose between the S. Korean and Latin American models, which are totally inapplicable to India which is developing its own

model. Its free market orientation and its accompaniment of liberalisation and anti small scale reservation as well as its interpretation of the poverty programme further shows up its biases. It is not surprising that the report is completely contrary to the new governments' declared policy. An all India survey of 8400 family budgets (out of 20,000 invited) shows that 5992 families have sharply reduced their entertainment expenses, 60 per cent have cut their long distance travels and taxi rides. 5404 families report that they cannot save anything and 3290 families incur debts every month ranging from Rs. 150 - Rs. 1000 with increase of Rs. 5 to 50 per month, 2548 families have been forced to cut down on their medical expenses and 2358 families on education of their children, 49 per cent have cut down in edible oils and sugar, 2352 families have cut down foodgrains expenditure and 80 per cent on pulses. This reality stands in stark contrast to the facile liberal generalisations of the World Bank. A government committee chaired by A. M. Khusro to review agricultural credits in its report on the IRDP states : 1) Inefficiences and inadequacies exist at all stages of implementation from identification of beneficiaries to determining for each beneficiary the specific activity appropriate to his skill and capability and the market potential on to the supervisors and follow up stages ending with the loan recovery : 2) There is a 20 per cent leakage in the administration of subsidy and funds of the programme. 3) With the kind of performance brought out by the various concurrent evaluation in 1985-86, the destitutes (with income Rs. 0-Rs. 2265) and the very very poor (with income Rs. 2265 to Rs. 3500) cannot cross the poverty line of Rs. 6400. 4) Though called IRDP, the programme was never concieved or operated as an integrated programme covering exploitation of local resources, development of the socio-economic infrastructure of and hightened economic growth for higher wages and employment. The programme was reduced to a set of targets to be fulfilled of beneficiaries and credit given, leading to fall in lending standards and cynicism about the programme on the part of the bank branches. 5) It is serious that only 12-13 per cent of beneficiaries crossed the poverty line, and even so the states above the national average have benefitted most. 6) From the point of incremental income, if loan repayments are deducted, the income is less and according to the concurrent evaluation for January-December 1987, 22 per cent of the beneficiaries had no incremental income, 10 per cent had Rs. 1 to Rs. 500, 17 per cent between Rs. 501 to Rs. 1000, 24 per cent between Rs. 1001 to Rs. 2000 and 27 per cent above Rs. 2000. 7) To make the programme help remove poverty and for credit to play a dynamic role, it is proposed a) that village, block and district level planning diagnoses the acitivity and its scale to be undertaken, b) targets should not be uniform but based on local resources and opportunities, c) rural banking staff should enforce normal banking discipline in choice and supervision of borrowers. On this, the committee found that banks were not involved in choice of participants or activity to be financed, resulting in the work ethos of rural branches of commercial banks deteriorating, which the 'loan melas' further aggravate If this decline in responsible banking attitude is not checked, its adverse effects will spill over into the banks, general development business and the whole banking system, warns the committee. A recent E C directive on

patenting life firms adds to the tussle between India and developing countries and industrial countries over the inclusion of intellectual property rights within GATT. The EC directive which extends patent protection to all forms of genetically altered life-plant and animal — could involve for India and the developing nations loss of food security and an accelerated process of erosion of plant and animal genetic resources. NCAER in a sample survey covering 1 lakh households in rural and urban areas over 1985-86 and 1987-88 states that the results show a slightly more egalitarian system in the latter year compared to the first year, which was the start of the VII Plan. For instance, the poorest household earning upto Rs. 9000 were 65.74 per cent of the sample in 1985-86 and 61.01 per cent in 1987-88 the difference being the households who have moved up to the lower middle income category of Rs. 9001 to Rs. 18000 per annum. The lower middle class bracket was 25.22 per cent of the households in 1985-86 and 28.44 per cent in 1987-88. The annual income category of Rs. 9001—18000 in 1985 - 86 turns into Rs. 11,000/- 22,000 in 1987-88. The other income categories have not been affected significantly. The evidence from several sources on the overall state of the economy is as follows : while in 1989-90 GNP may cross 5 per cent, WPI will rise by 7 per cent, the next monsoon expected to be good, which is that the third year in succession pushing up foodgrain production beyond the 175 millon tonnes of 1988-89 ; exports in April—December increasing at 38 per cent and imports at 20.7 per cent ; BOP is under pressure, the foreign exchange reserves declining by Rs. 1,401 crores on January 25, 1990 (against March end 1989) at Rs. 5203.53 crores along with the large trade gap ; governments' foreign loan servicing and its peaking this year causing the BOP pressure ; the budget deficit at the end of January reported at Rs. 14,000 crores (the Planning Commission hold that the revenue deficit is Rs. 12000 crores) causing a rise in money supply, April—December 1989, at 16.8 per cent ; and industry which was sluggish at 2 per cent in the first quarter improving to 4.4 per cent in the second quarter, manufacturing recording negative growth in the first quarter improving to 2.4 per cent growth in the second quarter. Thus the picture of the economy in 1989-90 is a mixed one. The government states that it has decided to introduce a constitutional amendment for 55 land reform laws passed by the states to be included in IX schedule, including 4 from Tamil Nadu.

Industry

The index of industrial production for November now published by CSO at 7.0 per cent of which manufacturing is 6.9 per cent is depressing despite the fact that there has been some improvement since the first quarter, April—June, when the industrial growth was 2.3 per cent and manufacturing growth —0.1 per cent, the second quarter, July — September, when industrial growth was 6.2 per cent and manufacturing growth 4.3 per cent, and for the 2 months October and November of the third quarter, the industrial growth rate was 6.7 per cent and the manufacturing was 6.2 per cent. So for the period April to November the industrial growth rate is 4.9 per cent and the manufacturing growth rate 3.1 per cent. But the result of an examination of the constituent industries is even more depressing. Fertilisers declined —49.5

per cent, —28.5 per cent and —21.0 per cent for the first two quarters by —31.7 per cent for October and November of the third quarter, cotton cloth by —4.8 per cent, —9.1 per cent, —7.8 per cent and by 6.9 per cent for October — November, saleable steel by —8.6 per cent, —1.5 per cent and —3.2 per cent in April — November, cement has declined by —2.7 per cent, by 0 in July — September and —2.3 per cent in October and November, which means that CSO's overall increase of 7.4 per cent for manufacturing in November hides the very poor (negative) performance of some crucial sectors. It is not surprising that the Prime Minister has asked the Economic Advisory Council to review the industrial policy and prepare a report on the initiatives that could be taken in this area, with a request for an interim report by the first week of March so that it can be discussed before the presentation of the budget. The Council has been asked to recommend the means of accelerating industrial growth to achieve a) rapid expansion of mass consumption goods at reasonable prices, b) faster growth of industrial employment, and c) a rapid growth of exports. The report should cover industrial licensing (its simplification and reducing bureaucratic control over small and medium projects), fiscal policy, financial policy and export - import policy. BIFR reports that sickness in medium and large industries in the Private sector is on the decline, the number of applications for revival of sick industries falling from 317 cases in 1987 to 300 in 1988 and 203 in 1989. AIMO suggests that professionalisation of appraisals of projects reports by banks is needed before small and medium industries are launched. It is hoped that this represents the state of sickness of industry as a whole. The Ministry of Programme Implementation reports that the unfinished 132 mega and major projects of the VII Plan will rerquire an investment of atleast Rs. 40,000 crores over the Rs. 41,000 crores already invested in them in the VII Plan. The cost over run of delayed projects is 80 per cent of the original cost till September 1989 - from Rs. 31,389 crores to Rs. 56,362 crores. CMIE and Economic Times surveys show that the private sector's performance in 1988-89 was good after the decline in sales growth and profitability rate in 1986-87 and 1987-88. The government has asked all ministries to submit a status report on all projects awaiting approval. According to CMIE 648 private sector companies and 145 public sector companies increased their gross sales by 27 per cent at current prices and their operating profits by 30 per cent. The Economic Times survey reports that during 1988-89 the larger companies inceased their gross returns on total capial from 8.9 to 9.8 per cent, with ratio of sales being even better. All profitability ratios increased and improved for large and medium industries. The top performers were Finolex Cables, Century ENCs, Varn Organics and Andhra system. The cement industry has faced a glut for the past 2 years due to a pick up in production and sluggish demand, but due to improved power supply and some capacity additions, the 1989-90 production has increased from 43 million tonnes in the previous year to 49 million tonnes. In 1990-91 there will only be a small addition to capacity. Since demand has been growing at 8.5 per cent a year, the glut will disappear by the end of 1990-91. So action should be taken now to increase cement capacity to avoid a shortage in the VIII Plan. The government has

asked the state government to ensure that no further licenses for the manufacture of potable alcohol is issued and to see that the approved units do not exceed their capacity in order to meet the increasing industrial demand for alcohol and to discourage their potable use. The government announced in February that a holding company for 2 public sector trading agencies MMTC and STC is being set up to achieve cost effectiveness in their operation. BIFR has taken to task state governments which are not responding to do their share in the rehabilitisation packages for sick enterprises. Banks and FIs will closely monitor implementation of schemes for revival of sick units.

Public Sector Enterprises

The 33 public sector units under the department of Public Enterprises are reported to have achieved 9 per cent higher producton in December 1989 and 14 per cent higher output in January 1990 than in January 1989 alongwith 88 per cent of the target. Among those who equalled or exceeded their target are Bharat Wagons (126 per cent), HEC (100 per cent), Jessop (100 per cent), MAM (110 per cent), HPF (146 per cent). The cumulative production for April 1989 — January 1990 was Rs. 5406 crores, a 14 per cent growth. The enterprises are also reported by the controller of capital issues to have issued the largest number of bonds in 1989 — more than 14 per cent of the total of Rs. 14200 crores. On the basis of an inter-ministerial recommendation, the government is seeking to provide greater autonomy to public sector enterprises and reduce the number of guidelines issued by BPF from 800 160 to be further reduced to 56. Further, the Parliament is being requested not to ask questions relating to the details of the day to day operation of the enterprises. These are in line with the election pledge of the new government to give more autonomy to the public sector units. The Planning Commission's working group on the management of public enterprises has recommended the setting up of an independent public investment appraisal agency as a means of professionalising investment appraisal and funding process. It states that the public enterprises can fulfil their objectives during the plan period if only they are allowed the desired operational freedom and flexibility, that where the activity is not important the state should withdraw from it and recoup some of its invested funds for new investments and that sickness in the public sector should be dealt with on a case by case terms. It has also made an overall recommendations on new criteria for public investment in the VIII Plan, making serious investments only when it is "really" necessary on the grounds of policy and strategy. The governments decision on this important group of recommendation will decisively affect the future and functioning of public enterprises and is awaited with interest.

National Production Front

Steel

SAIL reports that two of its plants, the Alloy steel plant at Durgapur which achieved a sales turnover of Rs. 260 crores in the first nine months, April-December 1989 against the Rs. 185.41 crores for all of 1988-89, and the Rourkela steel plant which has crossed a cumulative production of 25

million tonnes of saleable steel on February 18 have set records. It also reports that the production of standard tested steel in total saleable steel has increased from 79 per cent in 1988-89 to 85 per cent in the current year and that its profits for the period April 1989—January 1990 have increased from the previous year's Rs. 163 crores to Rs. 186 crores. It further reports that it spent Rs. 711.6 crores on various capital schemes during 1988-89. It reports that the government has decided to increase the minimum capacity level for new mini steel plants from the present 1.5 lakh tonnes per annum to 2.5 lakh tonnes. This arises from a MECON study on the viability of units making flat products and the decision of the licensing committee of the ministry that it was unable to process applications for flats production as there was no equipment available for a low capacity of 1.5 lakh tonnes. There are also proposals before the committee to allow mini steel plants with a capacity of 5 lakh tonnes. The decision to grant capacity of 2.5 lakh tonnes and the proposal to increase it to 5 lakh tonnes should be reviewed by the cabinet committee on Economic Affairs as the Departments demand-supply projections for flat products indicates that there would be a gap of 36 lakh tonnes by the end of VIII Plan — even on the basis of this increased 2.5 lakh capacity plants.

Crude

February saw plans for the VIII Plan being formulated by OIL and ONGC. OIL has proposed a Rs. 250 crore project to produce free gas at a plateau production rate of 2.85 million cubic metres per day for use in generation of power and for industrial purposes. ONGC has drawn up a large plan to implement gas projects for Rs. 1500 crores during the VIII Plan. In the first Rs. 75 crores projected and submitted for approval is included kerosene recovery, dearomatisation and pyrolisis gasoline unit at Hazira, development of onland gas structure off Krishna Godavari and Tripura and LPG plant in Assam. The Gas Authority of India has presented to P113 for approval a Rs. 420 crore project for supply of piped gas to Bombay city and suburbs. ONGC has drawn up a detailed plan for the development of the Bechraji field in Gujarat which is the second leased largest find in the state. OGNC estimates that during VIII Plan it would spend Rs. 12000 crores for various projects in the western offshore area. It suggests setting up of a holding company for India's energy supply industries which will be a means of the participating industries undertaking energy conservation and import substitution and so reduce the current scale of losses.

Coal

The energy ministry estimate that coal demand in 1990-91 will be 22 million tonnes more than the offtake in 1989-90, against which CIL and other companies coal imports will be 225 million tonnes. This is the trend that the first seven months of the year's demand April-September, indicates. The coking coal demand will be about 20 million tonnes, of which 25 per cent is low ash coal being imported. But this year's target as well as the 270 million tonnes target for the VIII Plan for CIL and the national target of 310 million tonnes are facing the problem of non availability of land. 84 CIL projects are held up because of land disputes in Bihar, West Bengal, Madhya Pradesh and Orissa. These

states must be helped to cooperate in solving the land problem.

Non ferrous

A new record on aluminium production will be the 1989-90 output of 4.83 lakh tonnes compared to the previous year's 3.57 lakhs tonnes. The 2 giants, BALCO at Korba and NALCO at Orissa, have together produced 3 lakh tonnes. BALCO with its captive thermal plant is realising an operation ratio of 90 per cent. BALCO is poised to double its production to 2.25 lakh tonnes. Indian Aluminium and MALCO are also increasing their output. This means that India will meet its entire domestic demand in the next 2 years. Will it then not only cease to be an importer but become an exporter of aluminium taking advantage of the high prices in the international market at $ 2000 per tonne.

Drugs, fertiliser, cotton and handlooms

There is a problem faced by the drug industry which has been the subject of government's election pledge to review the 1986 drug policy (see Vol. XVII pp. 532 & 533). The immediate issue is the prices of drugs which the manufacturers want to have raised from present levels to meet escalating input costs and the government wants to see not only it maintained at present levels but also at lower ones. The government, on the basis of representation of the industry, has identified 16 bulk drugs which are in short supply and which it is suggested should have their exports banned. There is the more general problem that industry has fallen short of the VII plan target for bulk drugs (Rs. 602 crores) and formulations (Rs. 2800 crores). The industry says its profits are 5-6 per cent against the profit level of 8-13 per cent permitted by the Drug Price Control Order of 1987. Hence the problem is a) how to increase the supply of drugs and formulations to meet public demand, leave alone exports and b) at prices which are affordable by consumers and remunerative for producers. There is a case for a speedy review and analysis of the issues involved by an expert committee. On fertilisers, the subsidy to the producers which was Rs. 1000 crores in 1987-88 jumped to Rs. 3000 crores in 1988-89, despite the tighter retention price scheme as from 1 April 1988. From April-November 1989 fertiliser output has increased marginally (0.8 per cent) but capacity use has dropped from 80 per cent to 79 per cent. The issue is that the subsidy and the retention price scheme (RPS) has achieved no result except to subsidise the rich farmers, as the many studies show that the beneficiaries are not the poor farmers. On the industry's side there is demand for compensation for hikes in raw materials costs and the demand to reduce delay in subsidy payment — retention price subsidy and freight subsidy. In fact FICCI holds that a poor RPS has made the fertiliser industry less energy efficient. These contradictory statements need to be examined in detail and resolved. On cotton, in view of the bumper crop of 115 lakh bales estimated for the current year, September 1989 to August 1990, CCI has reoriented its cotton purchase strategy to commercial purchasing at its own risk rather than as price support operation so that the grower can obtain remunerative prices. It has upto end January 1990 purchased 6 lakh bales which is more than the 5.8 lakh bales purchased during all of last year.

Following the Abid Hussain Committee's recommendation referred to in previous issues (Replenishment and expansion of textile modernisation fund to Rs 2000 crores in VIII Plan), dereservation of cotton ginning, an apex cotton development and technology authority, reduced import duties on synthetic fibres and a spinning policy) the committee's further recommendations on the establishment of a National Handloom Development Authority, a new deal for handloom dealers and the redesigning of the Janatha cloth scheme so that it is really targetted at low earning weavers which the new government is accepting as a means of improving the condition of the weavers. The Abid Hussain Committee also calls attention to the undesirability of continuing for ever the low productivity occupation like handloom weaving, which is right enough calling for a fresh approach to handloom weaving — improving its productivity and enhancing the earning of handloom weavers. But when the committee sets focus on the weaver rather the loom, it seems more like a slogan than a policy panacea.

Agricultural Production

Foodgrain output for 1989-90 is anticipated to cross 170 to 172 million tonnes against 170.8 million tonnes for 1988-89 which was a record, now being surpassed. However the 1989-90 output will fall short of the year's target of 175 million tonnes. Most of the current year's increase in foodgrains will be from rice which is likely to exceed 71 million tonnes (63 million tonnes in kharif and an expected 8 million tonnes of rabi). Wheat production is 54.5 million tonnes. As a result rice procurement has already surpassed 90 lakh tonnes as against the 76.92 lakh tonnes for the whole of last year. As the rice marketing season extends to September 30, the total rice procurement is expected to be 100 lakh tonnes for the year. Among the top performers is Punjab with 46.24 lakh tonnes, UP 12 lakh tonnes and AP, 11.30 lakh tonnes. The high levels of procurement enables the government to meet the demands of PDS and also to replenish the buffer stock, which will surpass the 10 million tonne target. On the basis of the production trend in 1988-89, the VIII plan target has been fixed at 220 million tonnes. Cotton output is expected at 102 lakh bales, sugar cane 212 million tonnes and coarse cereals expected to be 5.8 million tonnes, with the total coarse cereal output going upto 33.8 million tonnes. Pulses production is a good 6.05 million tonne for kharif but is likely to be lower at 8.2 million for rabi compared to the target of 9.4 million tonnes. In oil seeds, kharif production has exceeded the target and stands at 9.26 million tonnes with the rabi outlook also good. This is a remarkable achievement as the moisture level was lower this year and the cropping situation difficult. This year's fertiliser offtake was a high 120 lakh tonne of NPK compared to 113 lakh tonnes of last year. The year started well with a bountiful kharif but rabi faced low levels of water storage, and moisture stress, major river basins showed poor storage, in South India the rabi programme had to be called off in many pockets and in Maharashtra and Karnataka sunflower, jowar, ragi, maize, gram suffered. But paddy escaped because of December rains and the late North East monsoon and irrigated rabi wheat is satisfactory. Scientists are urging the use of phenomones for crop pest management as environmentally safe, as an effective means of monitoring pests intensity and trapping and

destroying them. Hence it is urged that serious efforts should be made in the use of phenomones for insect control as part of integrated pest management strategy. At the end of January, the government announced the setting up of a Commodity Management Board to provide guidance on export and import of agricultural commodities as part of the new thrust to boosting agricultural production, changing the pattern of food and cash crops, for over coming the adverse effects of lopsided development in many regions, to generate more employment, increase farm incomes, reduce poverty in the sector and rapidly increase agricultural exports. The Commission that has been set up to attain these ends referred to in the last issue of the Bulletin is now collecting expert opinion on means of increasing agricultural production, generating employment, alleviating poverty among small and, marginal farmers and landless labourers, expand agricultural exports and bring agriculture to the same status as manufacturing industry. These are important objectives which can be attained over time, if capital investment resources are diverted from consumer goods manufactures to agriculture, if the waste lands are opened up for development into oil seeds, pulses and orchard farms which the corporate sector has offered to undertake, if agro based products like oil cakes, preserves and canned fruits as well as the plantation crops are intensified and expanded and if agriculture is provided with the diversified credit system including its own export-import agency which manufacturers have and the norms and terms are made responsive to the conditions faced by the farmers. The Commission has a long term task and the Board must take the proposed action for an early and rapid expansion of agricultural exports. This should also be reflected in the new 3 year import-export policy.

Foreign Trade

On the one hand, the government reports that the trade deficit has declined by 16 per cent during the first nine months, April-December 1989, from Rs. 6601.70 crores in April-December 1988 to Rs. 5518.45 crores. In dollar terms the deficit has fallen by 28.2 per cent — from $ 4647.18 million to $ 3338.73 million (mainly due to the sharp rise in exports during the 9 month from Rs. 13,927 crores to 19,255 crores — a 38 per cent increase). On the other hand it should be noted that 1) the growth in exports is matched by growth in imports, which in the first 8 months rose by Rs. 3658 crores compared to the export growth of Rs. 4,832 crores, which means that the trade gap for 1989-90 might be a high Rs. 6000 crores, b) the depreciating rupee both pushes production costs and project outlays for importers and obliges the country to repay more than 180 per cent of the loan taken from IMF (the total drawals between November 1981 and August 1984 was Rs. 1462 crores and the repayment till December 1989 was Rs. 4645.3 crores) and c) what is not noticed in the euphoria over the 38 per cent export expansion, CCS has increased to Rs. 1900 crores (that is against 2.4 times increase in exports, CCS has increased 4 fold in the VII Plan) and the reported request of the ministry of commerce to budget for Rs. 2250 crores as exports subsidy for 1990-91. It is reported that the export target for 1990-91 is to be increased by 40 per cent, from Rs. 28,025 crores for 1989-90 to Rs. 39,900 crores. This means a sharp increase in CCS and even higher spurt in the export

subsidy. The government reports that it is finalising the harmonising of customs tariff with exports policy, which will facilitate the work of importers and exporters (in using similar code numbers) and which will be incorporated in the new 3 year import-export policy. The government also has before it a series of proposals on the Free Trade Zone such as the setting up of a National Free Trade Zones Authority, standardisation of conditions for value addition, and a comprehensive long term and uniform incentive package for the zones on which it will make a decision. In a major modification of the IPRS, the government has prescribed minimum value adddition to qualify for the scheme. On individual items, government reports that cotton textiles rose by 30 per cent at Rs. 1339 crores in 1989.

Loans and Aid

In February the major lending agency was the World Bank. It announced its decision to recycle the 'gains' of the depreciation of the Indian rupee, profits for which the bank loans were earmarked instead of retaining for itself the gains. This means increasing the Bank's contribution from 50-55 per cent to 60.73 per cent of the total project cost. The next step would be for the Bank to untie these sums so that they can be deployed in any project or programme. The Bank which has made a loan of $ 250 million for Rajasthan, Maharasthra, UP, Bihar for construction of roads and bridges has asked for total exemption of import duty on the equipment bought from outside the country. This is not only intervening in domestic policy but will be placing these construction projects at an advantage over others. The Bank is giving the Central Institute of Plastics Engineering and Tools an assistance of $ 12 million from July this year for modernising its tool room facility. IFC has offered an initial $ 25 million equity loan to ICICI.

International

World Trade

GATT negotiators in February have agreed on a plan of action to liberalise trade in the $ 100 million tropical products market. This will result in a new accord to reduce import barriers and duties on products such as nuts, coffee, spices etc. The multifibre arrangement (MFA) may be replaced by more than one transitional arrangement pending the integration of the world trade in textiles and clothing into GATT, which may be the result of the Uruguay round of negotiation on textiles. The single market in the European Community (EC) in 1992, according to UNCTAD, could increase its trade with developing countries. However attempts to pass on the burden of adjustment could create trade diversion effects that would affect adversely the developing countries. The UNCTAD report to the March meeting of the Trade and Development Board examines this and other regional arrangements like US-Canada Free Trade Association (FTA) whose power in institutional trade is such that policy shifts will affect and alter third world trade. While such trade diversion would be minimal under FTA because, textiles and clothing exports could be affected because the free trade in them requires 50 per cent of the value added to originate in US or Canada, which means only clothes made in US and Canada will qualify for PTA benefits, the report points out.

World debt

An OECD study states that the problem that plague heavily indebted developing countries in repaying their debt is high inflation, depressed saving and investment which stem from the fiscal rigidities in the country and not the external parameters like debt-to-export ratio, growth rate of OECD countries, world interest rates, and trends in world prices. This is a convenient cover for the industrialised world and is not based on theory or empirical evidence, A UN study points out that the growth of international direct investment by multinationals at $ 1,023 billion in 1987 against $ 518,000 million in 1980 has outpaced the growth of the world economy and world trade in the 80s. While the study shows that Japan is the fifth largest source of country of world wide direct investment at $ 77,000 million in 1987, Japanese commercial banks which are among the world's leading financial institution complain of their earnings falling in 1989 because of their troubled loans to developing countries, of which the sweeping new debt relief package they feel is a precursor. As a consequence they are becoming more conservative in their investment in the third world.

World Aid

The overseas Development Council, a US private body, in a study states that the IMF collected $ 3.07 billion more than it lent in 1988 at $ 5.4 billion. This means that the Fund is taking more than it puts in the poor countries. While this worsens the financial position of these countries — there are exceptions in Mexico, Bolivia and Gautemala which are getting more from the IMF than they are paying out to it. UNIDO announces that the first South-South cooperation project involving India, Egypt, Malawi, Philippines and Malaysia in 50 industrial ventures is now ready to take off.

WIPO

The World International Property Organisation (WIPO) has proposed a new international convention which widens the scope of dispute settlement procedure to cover not only multilateral and bilateral treaties but to give adequate protection to all intellectual property rights. This is coming up for discussing at a WIPO meeting in Geneva and tends to excerbate the existing differences between the US and some of the Industrial countries and India and the developing countries on this issue. The treaty on the other hand claims at striking a balance in providing for mandatory consultations on disputes and optional mediation.

Global warming

World scientists including 49 Noble laurates have called for immediate action on global warming. This is appropriate as there is a new round of inter — governmental meetings on climate change to be held in March—April. It is attended by 60 countries and is aimed at an international agreement on countering global warming. The global warming is caused by "green house" gases, notably carbon dioxide. The appeal is for industrialised countries to commit themselves to reduce their carbon dioxide emissions by 20 per cent by 2000. Carbon dioxide is caused by the burning of fossil fuels which accounts for half the

'green house' effects. The US accounts for 20 per cent of all much such emissions. It is important that this restraint is not imposed on developing countries who are not burning fossil fuels excessively. What they must do is to stop their deforestation and promote a programme of active afforestation.

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II. Agricultural Development in Tamil Nadu

Paddy and other crops

Farmers were harvesting the samba crop in Thanjavur and all over the state at the end of February. They faced several handicaps this year—including the late opening of Mettur (on August 20 instead of the usual June 12), see Vol XIX p416, which affected particularly the Thanjavur delta farmers, the failure of the monsoon over North Arcot and the drying up of water courses in the district so that the farmers along the Palar bed only could cultivate 85,000 hectares instead of the normal 2.25 lakh hectares of paddy, the fall in Mettur level and the non response of Karnataka to the plea of the farmers to release 15 tmc ft of cauvery water and the failure of the samba crop faced by the Tiruvannamalai-Sambuvarayan district farmers. But against these, the farmers profited from the totally unexpected rains in January which enabled the closing of Mettur for a fortnight and so conserve water, the absence of pests this year and a remarkably uniform higher per hectare yield, the bumper crops obtained by farmers in Madurai and Chengai-Anna districts to make up for the short fall of the North Arcot farmer, and the help they obtained from Rs. 9 crore government of India special programme in the way of micro nutrients certified seeds, pesticides and weedicides at highly subsidised rates to farmers in the 8 rice growing districts. The failure of the samba crop was because of the truant monsoon. Farmers growing the dry crops of millets report a good crop, while the lack of water has not been taken seriously by Thanjavur farmers to switch from paddy. They have switched to sugarcane in some areas which is a more water intensive crop. This means the increase in sugar cane area from 1.20 lakh hectares to 2 lakh hectares is a disturbing development. The per hectare paddy yield obtained by the farmers is 3000 kg per hectare, next only to the Punjab farmers who have obtained 3500 kg per hectare. Farmers also have increased the use of fertilisers to 115 kg per hectare, which again is next only to Punjab farmers but its mode of application needs improvement, including 'split application'. The government expects paddy production for the year to reach the target of 60 lakh tonnes. It reports by mid February that 5.80 lakh tonnes of paddy had been procured which is over 25 per cent of last year's procurement at this time. It states that it plans to purchase 3.5 lakh tonnes as buffer stock from AP and Punjab.

Research results

In February research reports are from the Vridachalam research station on con-

trolling a severe rice pest, from research station, Chickamagulur on a high yielding paddy variety IET 7191 that it has developed, from the coconut research station of TNAU in Thanjavur district on means of fighting the red hairy caterpillar menace in groundnut, from the oil seeds research station at Tindivanam which has developed a seed drill for groundnut sowing, from the CICR, Nagpur on improved package of practices that it has developed for the growing of LRA-5166, from the Regional research station at Kumarakom on countering the stem bleeding disease in coconuts, from the CPCR, Kasaragod on the difficulties and problems faced in perfecting tissue culture technique for propagating coconut, from the research station, Wynad, Kerala on its development of an evergreen spice tree of promise, from the Idukki district on the variety of cardamom which yields 350 kg to 450 kg per hectare, from the forestry station, Karnataka, on countering damping off and seedling blight problems in nurseries, from the central plantation crops research station, Vittal, Karnataka on the drought resistant cocoa varieties — NC31, NC 42 and Amel that it has successfully developed, from the central tobacco research institute, Rajasthan on the use of neem oil as sucker control, from the soil testing laboratory, Salem on means of controlling iron chlorosis in sugar cane soils, from the Regional Research Station, Tirupati on means of countering the serious yellow vein mosaic disease in bhendi, from the Chenganacheri experiment on getting good returns from rubber by growing cover crop in the plantation which smothers the weeds and adds nitrogen to the soil, from TNAU, Coimbatore which has developed a very effective electtonic metred seed planter, from the TNAU research station, Tiruchi on means of fighting leaf spot disease of banana, from the veterinary college, Madras on managing cows in dry periods, from UAS, Dharwad on checking summer infertility in buffaloes, from a Sholavaram farm on diversification of farming, recycling of farm residues and entiching the soil with nutrients through a demonstratton of stall fed sheep and goat farming, from the Tamil Nadu Rice Research Institute, Aduthurai on the use of azolla, blue green algae and azolla pirillum as efficient bio fertilizer for rice as established in its experiment, from the spice board, Saklespur on the cultivation practices, manuring, control of pests and diseases in the cultivation of cloves and nut megs which are not widely known as very profitable spice crop on which marketing should be further developed, and from Kerala Agricultural University on means of controlling the pest, cardamom thrips in cardamom farms.

Tea

Tea production is stagnating for the past 2 years at 683.08 million kg in 1987-88, at 683.06 kg in 1988-89, with a similar level expected in 1989-90. The 9 months, April to December 1990 recorded an output of 648 million kg which was the same as that of last year. For 1990-91 a record crop of 720 million kg is expected if the weather is good and domestic consumption (with an annual 10 per cent increase) is set at 510 million kg in 1990, leaving an export availability of 210 million kg as in 1989. The commerce ministry wants to increase tea production and exports and has therefore placed tea in the thrust area and has asked the top 25 tea producing companies to submit their plans and to rehabilitate speediy

the 12.5 sick tea companies. The country is over dependent on USSR for its overseas sale of tea and the latest information is that USSR has pushed UK to the 2nd place in the receipt of Indian tea export - in 1989 USSR purchased 227,000 tonnes of Indian tea against UK's 160,000 tonnes. There is need for India to diversify her export tea market.

Coffee

Coffee faces a crisis. The ICO agreement has collapsed, with no hope of revival of quotas and prices. The 1988-89 crop of 2.17 lakh tonnes (which was the target for 2000) is likely to be followed by 1.35 lakh tonnes in 1989-90 (against the expected 1.5 lakh tonnes). Prices, both international and domestic have collapsed. Coffee exports are expected to reach a high 1.5 lakh tonnes in 1989-90 earning Rs. 375 crores which works out to a unit value realisation of Rs. 25,000 per tonne against last year's Rs. 34,486 per tonne, involving a fall of 27 per cent in export prices. Domestic consumption is stagnant at less than 56,000 tonnes and prices are falling. The most severe effect of this crisis is on the 94 per cent of 1.2 lakh coffee growers who are small farmers who face not only lower production, but also lower prices and a rise in cost. There is need for some relief to the group which a review of the minimum release price, sales tax and purchase tax calls for.

Rubber

Rubber production for 1990-91 is estimated at 3.27 lakh tonnes and demand at 3.65 lakh tonnes, calling for an import of 40,000 tonnes. The question under debate is whether there will be a policy import management, requested and expected by the growers, covering import quantum, quality, price, release time, and buffer stock. Rubber prices are expected to remain at the same level of 1989. The R & D programme in this area should concentrate in upgrading quality, of which there is no sign.

Cardamom and Pepper

Cardamom production is declining, being 3300 tonnes in 1989-90 against the previous year's 42,000 tonnes. So exports for the 8 months April-November 1989 have been a meagre 118 tonnes earning Rs. 1.72 crores against 377 tonnes earning Rs. 5.29 crores in 1989-90. This indicates a rather sharp drop this year in the quota of exports despite a rise in the unit price realised. Pepper also reports lower production and lower exports in April-November 1989 at export quantum of 15,160 tonnes and realisation of Rs. 78.06 crores compared to 28,893 tonnes, earning Rs. 131.53 crores in 1988-89. Here too the unit value has risen but total realisation has fallen because of the lower production and exports. Rectification measures are needed in the case of spices - cardamom and pepper in 1990 which the Spices Board needs to examine and propose.

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III. Industrial Development in Tamil Nadu

Industrialisation in the state

The government set up in February a 13 member task force headed by the secretary, industries department to identify the potential of industry in various fields and the various types of

industries that could be successfully promoted. It will prepare a report after an indepth analysis of various aspects like manpower, infrastructure availability, specific industries that can be promoted, opportunities for export and measures to improve power, water supply and other social over heads. Representatives of CEI are also members of the Task Force.

Neyveli and ONGC

NLC reports that it has been forced to curtail its mining operation by half because of the rufusal of some villagers to vacate the site and the delay in handing over some 162 hectares of land acquired sometime ago. There is the danger, NLC points out, of a complete cessation of mining work by April if this issue is not speedily resolved. All this is inspite of the fact that NLC has fully met the rehabilitation of displaced persons as promised to the government. On the ONGC side, more oil finds in the Nannilam and Narimanam structures in the Thanjavur district on the Cauvery onland basin are reported, further reinforcing the prospect of the cauvery basin as an oil rich area. Gas production by the end of the VIII Plan will be 3.5 million cubic metres. Because of early production of oil from these wells, associated gas also has to be used without being wastefully flared. Many industrial units are already using gas as fuel, while the Tamil Nadu Electricity Board is planning to use gas for power generation with the installation of a five MW generator set in the Narimanam region. A crude distillation plant with an initial capacity of 5 lakh tonnes will also be established to produce middle distillates like kerosene and diesel oil. Over 85 per cent of gas production is earmarked for power generation and for this bigger unit is to come up in Cuddalore. From the second well at Nannilam, oil was flowing at the rate of 67 tonnes a day (500 barrels), while another well in Narimanam is yielding 74 tonnes (555 barrels). These finds have further improved the prospects of the Thanjavur area of the Cauvery basin. The production of oil from the onland cauvery basin is more than 5000 barrels a day (of very good light oil) and will increase to 6000 barrels as the latest finds are brought under ONGC's early production system from February 24. ONGC is making arrangements to transport the crude oil by rail tankers from Nagapattinam to Madras refineries for reprocessing. Thus the state is beginning to get on the crude oil map of India and its processing facilities will help to cut the cost of transportation as well as save foreign exchange.

National Chamber, Hosur Estate, SIDCO and TIIC

The National Chamber of Commerce announced that it is establishing an industrial estate in a 30 acre site on the old Mahabalipuram road with 100 shed for manufacturing various consumer products. This is one of the few if not the only private sector industrial estate. Standard Batteries states that it is setting up a fourth unit in the Hosur estate with an investment of Rs. 40 crores. SIDCO reports that less than 30 per cent of the 95,000 registered small scale enterprises in the state are in contact with it, using its help. If this is due to the complex procedures, they should be simplified. If it is due to lack of knowledge, a publicity campaign should be undertaken by SIDCO. TIIC reports a disturbing trend in its overdues and closure of assisted

units. Of the 40,000 units assisted, 12,000 have closed down. Of the remaining 28,000 units, 8000 have over-dues. This calls for more strict application of criteria in making loans to the units.

MRF, MIL & GREMACH

BIFR states that is has cleared the take over of the sick Aruna Leather and Exports by MRF. The Indian Bank which is the custodian of the company which has liabilities of Rs. 3 crores has been asked by BIFR to prepare a revival package and work out the modalities for settling the outstanding dues. This means that the Indian Bank has to pump in more funds. On this basis MRF which is a recognised trading house with a crude export market, while taking its share in settling the over dues, plans to fine tune the company and bring its management upto the point where it can operate efficiently. Madras Industrial Linings (MIL) which is the leading manufacturers of anti-corrosion and anti-abrasion rubber linings and other rubber products has diversified into various fields while maintaining chemical engineering as its thrust area. It is not only at the cutting edge of chemical engineering technology in the country, it has developed a wide overseas market for its product and has established parallel companies in Kenya and Saudi Arabia. Its latest venture is the PTFE factory at Gummudipoondi for the manufacture of paste extruded PTFE tubes, PTFE liner pipes and fittings which is being run with UK collaboration. Gremach CNC is setting up a unit to manufacture 3D measuring machines and machine tools with an outlay of Rs. 10.90 crores. The project which has Italian collaboration will use state of the art techniques to produce 3 coordinate measuring machines (CMM) and will replace the 100 per cent import of this product at present.

Sponge iron, Binny and Elcot and MEPZ

Three private sector steel companies — GK steel group Coimbatore, RKKR Steel Madras, and Bhoruka steel, Bangalore are setting up a Rs. 125 crore sponge iron plant with a capacity of 2.25 lakh metres using the Cauvery basin gas as feed stock. The GK group has also gone in for a pubic issue of Rs. 1.8 crores to part finance its Rs. 10.45 crore plant at Dindigul which will have a capacity to manufacture 57600 tonnes of alloy and special steel billets and which will go on stream in April 1990. Binny's proposal to move its processing unit to Bhuvanagiri, in South Arcot is sound because that location will enable it to use the Cauvery basin gas and so save sizeably on its power bill. It is however a pity that this good proposal was not throughly discussed with its labour union and its support obtained. Now there is a deadlock as the union fears that this move will end endanger the employment of 2000 workers in the unit and may even endanger the functioning of B & C. This is a further factor in favour of labour unions entering the management area of the concerned company. A 100 per cent export oriented soft ferrite unit is coming up as a Rs. 40 crore joint project with ELCOT and a local entrepreneur at the Ranipet location of SIPCOT. The plant will have a capacity of 300 tonnes per annum. Soft ferrite is in high demand in TV production and is in strong demand abroad, in USSR and other countries. ELCOT and Amalgamations are jointly

setting up a Rs. 12 crore plant for the manufacture of printed circuit boards (PCBs). It will also be a 100 per cent export oriented plant and is to be located at MEPR. The state government has projected telecom equipment to reach Rs. 350 crores by 1994-95, with ELCOT accounting for Rs. 100 crores in projects.

Leather

The leather and leather products industry has a double distinction. First in the 80s its exports have increased 5 fold from Rs. 400 crores to over Rs. 2000 crores. Second, the value added component of these exports mark a high 65 per cent of all exports, again moving sharply away from the mid 70s when the bulk of the exports were raw hides and skins or semi-finished leather. This has enabled the export to be diversified in the country's receiving them, from the Rupee trade area to the general currency area. This explains the Minister of Commerce plan to increase India's share of world leather exports from the present 1 per cent to 3 per cent by the end of the decade. This requires a) modernisation of the collection system, b) introduction of mobile flaying system to collect carcasses from far off places, c) commercial farming which will increase supply of leather, d) phasing out the export of finished leather, e) modernising production facilities, especially in the small and medium units, f) the full use of the World Bank's leather export marketing fund, and g) the setting up an adequate number of effluent treatment plants to prevent the pollution of the soil and the environment.

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IV. Education, Science and Health

Educational reforms

The new government has pledged in its election manifesto that on the one hand it will increase the educational investment to 6 per cent of the GNP (from the current 3 per cent) and that it will review the National Policy on Education 1986 (see Vol. XVI p. 436) to rid it of its elitist bias. The minister expressed this aim as one of ensuring "equity and social justice". There will be general agreement with both these statement of aims if there was an explication of what the "elitist" elements are (if they refer to Navodya schools they were opposed on educational grounds in this bulletin (see Vol. XVI pp. 22 & 169). Similarly there should be a spelling out of what equity and social justice mean in regard to the educational system. The government is setting up a committee to undertake the task of this review.

Literacy

The National literacy mission dedicated to impart functional liteacy to 80 millions out of 116 million illiterates in the age group 15-35 in 1981 over a 7 year period received a shot in the arm on February 3 when as result of a sustained year long campaign by the Kerala Sastra Sahithya Parishad in the

district of Ernakulam. the district as a whole comprising 1.85 lakh persons in the age group 5-60 liquidated illiteracy. The district was declared illiteracy free on February 3 by the prime minister. This achievement represents an unusual synergy of governmental development administration and of a whole range of voluntary organisations. This model headed by the collector has involved a total mobilisation of human resources and comprising a clear identification of illiterate persons through a door to door census, the setting up of people's committees from the ward up to a district, a flexible need based learning programme administered by volunteer instructors aided by a systematic exposure to relevant knowledge, skills and attitude, monitoring and evaluation and the vital input of post literacy continuity — has set the stage for other states, including Tamil Nadu adopting this model to make a whole district literate. This is the pledge taken by all concerned on this International Literacy Year.

Technical education

The government announced that it is reviewing the existing ban on private hospitals offering post graduate medical courses. The immediate occasion for this was the request by the Child's Trust hospital, Madras to be allowed to train doctors in MD and DCH (Diploma in Child Health) courses.

Science

The 77th session of the Indian Science Congress held from February 4 to 10 in Cochin was inaugurated as usual by the Prime Minister who raised questions on the growing contradiction between scientific progress and the abridgement of the individuality of the human person. While the rapid strides in science and technology have spurred industrial development and transformation which the poor countries are trying desperately to 'catch up', it has taken heavy toll of the diversity of individual lives through mass production, standardisation, specialisation and the mass culture of consumerism. The way to achieve a decentralized political and economic order is to move away from gigantism to reliance on a highly diffused pattern of activities. It was agreed that Indian science can come to its own only if the whole matrix of industrial technology is integrally related to the flowering of creative energy in the scientific community. The Department of Science and Technology has proposed at the congress that as a follow up of the recommendation of last year's science congress, the Department of Science & Technology will launch a new scheme for the creation of a series of regional science reference centres during the VIII Plan. The Ministry of Human Resources Development which has invested Rs. 100 crores for infrastructure and manpower development, projects the latter as one of the major activities of VIII Plan, CSIR proposes to double the number fellowships from the present 4000 by 1995, the Ministry of Environment and Forests in collaboration with a number of countries is probing into problems of green house, ozone layer depletion, acid rain and pollution control. The space application programme has a programme for acreage estimation of major crops like wheat, rice, sorghum and groundnut using remote sensing technique. There was a general recommendation to double the investment and manpower in R&D by the end of the VIII Plan.

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V. Employment and Labour Relations

The major debate in February was around the election pledge of the new government about the Right to Work becoming part of the constitution's fundamental rights. Its components are said to involve : a) building a firm data base both at union and states levels : b) standardisation of presentation of data in place of the present multiform presentation : c) manpower planning : d) establishing a new division of the Planning Commission for formulating and monitoring the employment strategy: e) formation of a cabinet committee on employment to ensure the availability of the implementation of the right and provide a review mechanism at the highest level : f) developing the possibilities of the services sector, which will provide employment particularly to the educated: g) giving top priority to the revival of sick/weak units which should supplement generation of new employment : h) meshing the work of the banks and financial institutions so that they help and not burden economic growth - an example to the contrary is the percentage of bank credit to deposits has fallen from 79.3 in 1971 to 60.3 in 1989 and sanctioned assistance to production units in backward districts fallings from 46 per cent at start of the VII Plan to 36 per cent in 1987-88 and priority sector advances being 45 per cent of total credit in 1987, with 16 per cent each to agriculture and small scale industry : i) consolidation of employment guarantee scheme to save expenditure and plug leakages : j) inserting a provision on the right to work which will fill a glaring gap in the article on Fundamental Rights. The Planning Commission have in this connection proposed the creation of an employment generation fund to finance jobs all under the right to work programme. The Commission has suggested that capital intensive project should be given up and the funds so released diverted to the fund. Also public contributions may be invited to the fund. In a study on the right to work, it is found that 2 groups of persons will have to be covered : a) those able and willing to work who can find no work and those who are underemployed earning less than the minimum wages : and b) those in the first decile whom no programmes covers and the aged, sick and disabled. For the first group an additional Rs. 3000 crores over the present Rs. 3000 crores should be provided and for the second group Rs. 6000 crores would be needed for social security payments. This Rs. 12000 crores per annum can be found through additional taxes and economies in existing expenditures — capital and revenue. If it cannot be found, the amendment should be deferred and the public so informed. The union government states that it is thinking of bringing in legislation to ensure round the year employment for agricultural labourers and to extend benefits like provident fund for the farm sector which is largely unorganised. This would be part of the right to work referred to earlier. The report of the labour ministry refers to the overall improvement in industrial relations with strike and lockouts declining from 7894 in 1984 to 1565 in 1989 and the mandays lost from 56 million to 32 million. The increase in the outflow of scientific manpower from the

country has increased from 46,801 in 1970-73 to 75,194 in 1978-81 on to 8,42,000 in 1982-85, with the largest percentage at 30.8 per cent to the US (98,700) and the second largest at 25.4 per cent to west Asia (75,000) The largest number going abroad are engineers at over 50 per cent followed by doctors at 20 per cent. There is also an internal brain drain due to the wrong choice of study and career forced on the student at the early age of 14-15 and shifts after graduation to a vocation of his choice, causing brain wastage and to the mismatch between levels of training imparted and the level of use within the technical and scientific field.

VI. Other Items

Autonomy issues

There were two meetings in February dealing with autonomy issues. One was a meeting organised by students from all faculties including low question of autonomy to AIR and TV. Here a few specific amendments to the draft bill in regard to the panel that is to recommend the names of the governors to the president and a new provision on making available a block grant from the consolidated fund of India were discussed. In addition the need to develop conventions on appointments of programme staff, on freedom of and independence to such staff, on decentralization of the media operation to the district and panchayat councils level using micro transmitters and VCRs were discussed. The other was a meeting on the autonomy of the Queen Mary's College and how it has worked and organised by the staff of the college. In the staff presentation, the freedom and flexibility provided to the staff was commended but the system of transfer of staff by the Director of Collegiate Education and the overcrowding of classes was criticised as obstacles to the effective academic development of the college.

TNSC S & T

The newly constituted executive committee of the Tamil Nadu State Council of Science & Technology met on February. It reviewed the status and progress of the ongoing research projects and made suggestions for their further monitoring and reviewed and approved some 8 new research projects. It also approved travel grants to scholars whose papers had been accepted by International Conference authorities to attend them. It took note of the recommendations of the last meeting of secretaries of State Council and decided to organise a training course for employing rural artisans. It also approved audited accounts for 1988-89 and the budget proposal for 1990-91.

IIC

In February, the Board of Trustees of the India International Centre met and discussed the draft exchange of letters proposed between the Centre and the Bajaj Foundation on the receipt of an endowment from the Federation. It also agreed upon the further extension of the renting of the premises to ICRIER

and RIS. It discussed and commented on the draft report of the Director for 1989, approved the audited accounts for 1988-89, the revised budget estimates for 1989 and the budget for 1990-91. The February panel discussion on engineering industries was also held. The main issue is that there is a move away from metal based engineering industries which affects the industrial development of the country. There was also on the following day a seminar on industrial policy attended by top economists and planners and planning commission members. A number of suggestion were made on how the new policy could rechannel industry in the direction of the production of wage goods and the generation of employment.

UGC standing committee and IGOU

The UGC standing committee on literacy met for the first time. Its main business was to receive the report on how literacy work was being developed or hindered at the universities as reported by 20 directors of literacy from the universities. As a result 5 problems were identified — the position of women on literacy, the absence of support to the adult literacy department and work from the state governments, the non recognition of the staff and the department by the academic bodies of the universities and the problem posed by the inadequate and irregular funding of university literacy work. These five issues are to be reviewed at the next meeting of the committee. There was a meeting of the selection committee for the vicechancellorship of the Indira Gandhi Open University. A panel of 5 names were agreed upon and submitted to the visitor who is the President of the Republic.

Aide et Action and Alliance Francaise

There was a gathering of over 100 voluntary agencies brought together by the organisation Aide et Action. The meeting examined the role of voluntary agencies in the changing national and international situation, the problem of need and poverty and how the agencies can raise fund to meet the needs. Alliance Francaise also on that day organised an exhibition of creative weaving where the innovative handloom materials woven by two Kerala weavers and a French artist were on view. The occasion was used to recall the historical role of handlooms in India, the problems that they were facing and the innovative development now under way.

First Article

The paper for the February seminar Tamil Nadu — Some Comments on An Economic Appraisal — 1988 by Malcolm S. Adiseshiah together with a summary of the discussion appears as the first article.

Second article

A second paper, Reservations in theory and practice by Dr. Radhakrishnan for the workshop on Backward classes and Reservations appears as the second article.

MIDS News

Dr. Padmini Swaminathan attended a symposium conducted by Bharathidasan University, Trichy on "India's Development Experience : Lessons, Problems and Prospects", and spoke on "India's Industrial Development", — 23rd and 24th March, 1990 at Trichy.

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Dr. Nasir Tyabji participated in the Seminar on "Budget and the Finance Bill 1990 and its impact on the Economy" organised jointly by the Management Division of Anna University and the State Bank of India on March 28, 1990. He evaluated the intentions laid out in the Budget speech in relation to the problems of the economy identified by the Economic Advisory Council's Report.

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Dr. Nirmal Sengupta attended the meeting of the Expert Group at Lucknow of the National Institute of Urban Affairs, New Delhi to discuss the draft report on Women in the Urban Informal Sector on 5th and 6th April.

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Attended a workshop to discuss the report with the experts in the field of land reforms conducted by the Lal Bahadur Shastri National Academy of Administration, Mussoorie from 7th to 9th April.

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March Development Seminar

Some Comments on Tamil Nadu — An Economic Appraisal — 1988

by

Dr. Malcolm S. Adiseshiah

Prolegomena

The document Tamil Nadu — Economic Appraisal — 1988 (which following the last appraisal should be titled 1988-89), became available in early February (8.2.90). The Preface signed by the Director, Evaluation and Applied Research Department dated 10th May 1989, is somewhat misleading because the appraisal document contains information on the south west monsoon (June-September 1989) and the north east monsoon (October-December 1989). However as stated in the last review, the data set forth for the year 1987-88 are now firm and no longer tentative. It would be helpful if the actual date of issue of the document is made known. The appraisal is somewhat dated for the understanding, review and approval of the 1990-91 budget, as it has almost nothing on the previous year, 1989-90, on which the budget proposals could be judged.

The volume itself contains many new elements.

For one thing, the state income has been computed in a new series on the base of 1980-81 and is available for each of the seven years 1980-81 to 1987-88. This brings the state estimate of the State Domestic Product into line with the all India National Income estimates, which have also been established on the 1980-81 base by CSO. CSO's revision of the base of the National Accounts statistics is justified on the ground that such a revision is required every ten years (as recommended by the United Nations) and because of some changes in the methodology of estimation, particularly in relation to consumption of capital. The state revision is justified in the document on the ground that it has increased the dependability of the estimates in view of the fact that it

took into account the realities of the changed economic conditions over the last 10 years ". This is not clear because a methodological change cannot take account of changed economic conditions. Two results follow. First there is a discontinuity in the time series of the state income data with the pre 1980-81 estimates being based on the 1970-71 base which is taken into account in comparing the performance in the 80s with that of the 70s (Table 3 of chapter 2). Second, as the base of the Industrial production index for the state is still 1970-71, no comparison with the all India index of industrial production which has been revised to the base year 1980-81 is possible as pointed in p72.

A second new element is the separate detailed chapter on irrigation which has a time series from 1980-89 of the irrigation expenditure, of the potential created, the gross and net irrigated and various other interesting ratios.

A third point that should be noted is the more detailed treatment of agriculture, outlining the trend rate, all-India and statewise and the much more varied data on each crop, on inputs, on markets and on a very revealing section on marketable surplus.

Alltogether the agricultural sector is much more informative and analytical than similar sections in the past.

Other sources for the appraisal of the economy are lacking. The statistical handbook is two years behind and the Annual Survey of Industries is even more dated — of over 3 years.

Given this rather sparse data base, the Appraisal document has done a commendable job in compiling painstakingly such data as are available and putting them together to make possible some analysis of what happened.

There are two overall limitations to this effort. First there seems to be an effort to demonstrate at every point the state's record is not bad, is commendable either by comparison with the performance of other years, or in comparison with All India data or that of other states. Second, the document is dated in relation to 1989-90 and certainly in regard to 1990-91, as it deals essentially with 1987-88. There seems to be no effort to make up the lag, which makes the document not very helpful to the members of the legislative assembly who have to use it to appraise the 1990-91 budget proposals of the government, nor meaningful for the scholar who is looking for data to appraise trends in 1990-91.

A Resume

But before proceeding further, as this note is essentially critique of the document, Tamil Nadu — Economic Appraisal — 1988, it is necessary to provide a brief resume of what the document states. Its 8 main sections are summarised below.

1. In an *overview* of the state economy the state is stated to have reached an average rate of growth of 5.4 per cent in the first 3 years of the Seventh Plan. The trend rate of growth of the Net State Domestic Product has increased from less than 4 per cent in 1983-84 (over 1980-81 base) to 6 per cent in the subsequent 4 years upto 1987-88, compared to the All India NDP growth rate of 5 per cent. The state's per capita income between 1980-81 and 1987-88 recorded a growth of 3.9 per

cent compared to 2.4 per cent at the National level.

2. On *state income* the rate of growth of the income in 1987-88 was 5.2 per cent. Disaggregating the state income, it is found that almost the entire increase in income in the primary sector of 5.13 per cenr (Rs. 14,169 lakhs) is due to agriculture and allied activities at 5.33 per cent (Rs, 14,145 lakhs) : in the secondary sector the main income increase which was Rs. 5059 lakhs was due to the construction sub sector at Rs. 5541 lakhs : in the tertiary sector, none of the sub groups had a decline in income and its growth rate of 8.1 pet cent (Rs. 32,340 lakhs) was the main contribuant to the 5.2 per cent state income growth. The prospects for 1988-89 are that the rate of growth of state income would be higher than the 5.2 per cent recorded for 1987-88, because of a good agricultural output, a record of 12 per cent expected of industrial growth and a continuing high gtowth of the tertiary sector. The conclusion is that "the year 1988-89 is promising".

3. On *agricultural and allied activities* despite a poor south west monsoon which was more than compensated by a bounteous north east monsoon, the area under foodgrain increased to 44.90 lakh hectares (compared to 41.33 to 43.38 lakh hectares of the two previous years), the yield was 76.52 lakh tonnes (compared to 71.81 lakh tonnes and 72.70 lakh tonnes of the 2 previous years). Paddy yield per hectare was a record 2786 kg. All constituents of the yield recorded increases. Paddy at 56 lakh tonnes (compared to 53 lakh tonnes of the previous 2 years), sugarcane gur at 22 lakh tonnes (compared to 21 lakh tonnes of the two previous years), cotton at 4.7 lakh bales (compared to the low 2.8 lakh bales of the previous year), and groundnut at a peak of 12.6 lakh tonnes. Between 1980-81 and 1986-87 the annual average growth rate in the agricultural production index was 6.5 per cent, a yield index of 6.4 per cent and an area index of less than one percent. In fertiliser consumption, there was a high level of 7.4 lakh tonnes recorded, with 114 kg per hectare next only to Punjab at 152 kg per hectare. In the other inputs — quality seeds, pesticides etc. also a satisfactory intake is recorded. In all this, state's growth rates are higher than that of all India and most other states. In allied activities of milk, meat, fish production a set back is reported. The lowest in 3 years was in fish production at 3.6 lakh tonnes. Only in egg production was there an improvement from 2067 million in 1985-86 to 2197 million in 1987-88. In forestry there is little progress reported, the per capita forest area being unchanged at 0.05 hectare compared to the All India 0.09 hectare. The social foresty programme is reported in terms of SIDA aid and achievements for 3 years ending 1986-87. It also reports that in terms of afforestation, the state accounts for 5.6 per cent of the total area afforested in the country.

4. On *irrigation*, 3.4 per cent of the 1987-88 budget (Rs. 138.44 crores) was provided, with 83 per cent going to major and medium irrigation works and 17 per cent to minor works. Upto 1987-88, 1983 lakh hectares of total irrigation potential was created, the major part being in pre plan years, with a 60 : 40 division of the potential created by major and medium and minor works. On this trend, it is reported that the net area irrigated on an average during the 5 year period 1982-83 to 1986-87 at 24.74 lakh hectares was lower than that of the previous 5 year period at

27.94 lakh hectares. Similarly the gross irrigated area declined from 36.49 lakh hectares to 31.4 lakh hectares. Of the 3 sources of irrigation, canals, tanks and wells the relative contributions of wells alone improved at 41 per cent against 35 per cent for canals and 22 per cent for tanks in 1987-88. In utilisation of the potential created, wells performed better at 82 per cent utilisation against 70 per cent for canals and 54 per cent for tanks. In terms of crops, the gross area irrigated for the 3 year 1984-85 to 1986-87 as a percentage of gross cropped area declined under each of the 5 crops — groundnut, cotton, ragi, cumbu, and cholam, with only paddy and sugarcane maintaining and bettering the proportion. A study of the impact of drought in the drought years 1980-81, 1982-83 and 1986-87 shows that it was more severe in the case of areas tied to tanks. On irrigation also there is an interstate comparison to show that as of 1984-85 of 15 major states, "Tamil Nadu's 45.6 per cent was next only to Punjab (84.6 per cent), Haryana (60.5 per cent) and Uttar Pradesh (57.3 per cent).

5. On *industry*, the growth rate as shown by the index of industrial production (with base 1970) for the first 10 months of 1988 was 11.6 per cent compared to 5 6 per cent for the period in 1987. This is commended because a) it was achieved despite a 40 per cent cut in power consumption to HT users and b) the declining trend of 1986 and 1987. But the annual average growth rate which was 8.4 per cent in the first part of the 80s has declined in the latter half to 5.8 per cent. The 1988 pick up in industrial production is attributed to i) the revival of agricultural sector during 1987-88 (July-June), ii) enchanced availability of power, iii) enhanced government incentives. Most of the sub groups in the manufacturing sector did well, led by chemicals and chemical products (+24.6 per cent) followed by food products (14.3 per cent), base metals and alloys (14.5 per cent), machinery and machine tools (11 per cent), transport equipment and parts (8.3 per cent), whereas cotton textiles recorded a low 1.1 per cent. In terms of products, the high growth rate performers were electricity generators, mixed fertilisers, cold rolled steel strips, diesel engines, motor vehicles chasse, railway coaches and iron and steel. The poor performers were cement, power transformers, electric motors and cotton yarn. The Annual Survey of Industry for 1985-86 is referred to show that in all indicators — number of factories, productive capital, number of employees, value of output and value added — the factory sector in Tamil Nadu did better in 1985-86 over the previous year. In value added the improvement was from Rs. 1662.6 crores to Rs.1711.5 crores and in comparison with all India, Tamil Nadu did better, in number of factories the rate of growth for Tamil Nadu was 6.2 per cent against less than 1 per cent for all India, in productive capital 20.6 per cent for Tamil Nadu against 11 2 per cent for all India, in employment 3 per cent for Tamil Nadu compared to less than 1 per cent for all India, in value of output 6.4 per cent against 6 per cent and in value added 10.1 per cent against 9.0 per cent. There is a detailed review of 5 industries of cotton textiles — the mills are seen in crisis, handlooms enjoy sustained state support and power looms increasing, of fertilisers also facing problems of production and demand, of sugar recording a lower productivity in mills in 1987-88, of cement which increased in capacity in 1987 and 1988 and is doing well in production, and of leather where in

addition to both 24 large tanneries and 43 DGTD units and a large number of unregistered units operated, one third of the country's capacity in leather was in Tamil Nadu.

6. On *power*, the state commanded in 1987-88 4558 MW generating capacity, of which 3830 MW was from its own hydel and thermal stations. Gross power availability increased to 16318 million units in 1987-88. As demand for power outstripped availability, power cuts had to be imposed. Per capita power consumption increased from 195 units at the end of the Sixth Plan (1984-85) to 248 units in 1987-88. The state is reported to have achieved a much faster growth all round during the last 5 years (1983-84 to 1987-88) compared the previous 5 years (1978-79 to 1982-83) : from 5.2 per cent to 8.1 per cent in installed capacity, from 3.1 per cent to 9.1 per cent in gross power availability, from 187 units to 214 units in per capita power consumption. The state's performance in growth in installed capacity and in gross power availability was lower than all India, the power consumption was notably higher, giving the state the fifth place among major states. (This is also the reason for the continuing power crisis of Tamil Nadu). To the state's generating capacity, 506 MW was added in 1987-88 – hydel 295 MW, thermal 210 MW and wind farms 1 MW. From the 3 Union sector power projects 1258 MW capacity was available to the state. Due to poor hydel storage, the power generation by the state's 21 hydro stations declined sharply from 3319 MU in 1986-87 to 2184 MU in 1987-88, against which the 3 thermal stations did impressively, generating 7162 MU. Total power generation in 1987-88 was lower at 9346 MU against the 1986-87 99430 MU. The hydel thermal mix in the state has now moved in favour of thermal. In 1987-88, in power consumption, industry accounted for 49 per cent (44 per cent in previous year), agriculture 26 per cent (27 per cent in previous year). In rural electrification, 3 more villages were electrified during 1987-88, making total villages electrified 15,809 or 99.9 per cent of all villages in the state. With the new generating capacity created power availability is expected to increase to 19,090 MU in 1989-90 but consumption also will increase more to 20,144 MU — leaving a gap of 1324 MU at the end of the Seventh Plan.

7. On *employment*, the two sources- the census and National Sample Survey are both dated - one back to 1981 and the other to 1983, but the data from both are used for the work participation rate at plus 3.5 per cent compared to 1971 census and that from NSS on unemployment is provided by states and is also referred to later in the comments. More recent data for 1983-84 to 1987-88 are provided for employment in the organised sector - public and private sector. Employment in the organised sector declined to a lower 1.5 per cent growth in the 5 year 1983-84 to 1987-88 compared to the previous 5 years. While the public sector employment increased by 2.5 per cent, that of the private sector declined by —0.5 per cent. Tamil Nadu recorded a declining in employment growth from 3 2 per cent to 1.9 per cent during the two 5 year periods. In 1987-88 employment in the organised sector increased to 21.98,000 from 21,67,000 in the previous year, the pace of growth at 1.4 per cent being faster than the 1.2 per cent in 1986-87. Additional employment generation during the year came entirely from the

public sector and more than half of it was from the service sub sector. Detailed information is provided on the data in the 36 Employment Exchanges where number of applicants increased by 18,000 to 24,79,000 compared to 1986-87. There is also some information on the working of REP, NRLEGP and TRYSEM and the state's unemployment relief scheme.

8. On *prices*, the 1988 wholesale price index shows a rise of 7.8 per cent which is contrasted with the higher 9.9 per cent in the previous year and the rising curve as between the 2 years for all India for prices. It is reported that more than in 1987, the primary articles group exerted greater pressure on the index for 1988 and its move to 7.8 per cent. Within primary articles, it was the heavily weighted food articles sub group which caused the overall price rise in 1988. This sub group's contribution was 48 per cent. (This is an important issue which is referred to in the comment.) The consumer price index for industrial workers registered an average 9.5 per cent rise during 1988 while the consumer price index of rural Tamil Nadu recorded an overall increase of 8 per cent in 1988. It is pointed out with some satisfaction that this is a smaller rise than the 9.1 per cent rise in 1987 and similarly the food groups index which registered a rise of 6.7 per cent was lower than the previous year's 9.7 per cent. This too will be commented on later. The index of parity which is reported at 65 for 1988 is held to be an improvement over that of the 2 previous years.

Comment

It is now possible to make a comment on the document, Tamil Nadu—Economic Appraisal 1988.

1. Growth vrs Development

The document uses the concept and the term, growth, growth rate, trend growth, tempo of growth, pace of growth more than 34 times in the first five chapters (21 times in chapter 1, 6 times in chapter 2, 3 times in chapter 3, twice in chapter 4 and twice in chapter 5). The rate of growth is a concept invented by the economist as a kind of short hand to measure development, which it does not. It has meaning only if it is continuously juxtaposed to the end result expected of and attained by the activity in question. Otherwise the growth rate is both misleading and distorting. It is misleading because :

it substitutes itself for the end result, or is juxtaposed with a previous growth rate or the growth rate of another state or the country as a whole.

a) This is seen in section 1.2 which reports with satisfaction, that "the Tamil Nadu economy had achieved an annual average growth rate of 5.04 per cent during the 3 years of the Seventh Plan (1985-86 to 1987-88)". What this means in terms of the end result (the goals) of the Plan is not brought out.

b) The juxtaposition with a previous year's growth rate is set forth in paras 1.2 and 2.5 which states : "Over the 1986-87 base a growth rate of 5 19 per cent has been registered in 1987-88 as borne out by the Quick Estimates of state income for the year." And then follows an important comment : "it appears to be a good order of growth on the face of it : but it should be remembered that a moderate 2.65 per cent growth only had been realised in the previous year. It may be reasonable to presume that a part of the growth occuring in 1987-88 ought to have

occurred in 1986-87, itself". (What this means is an unexplained puzzle). "Thus the effective growth rate for 1987-88 may have to be pitched around 3 per cent only". But there is quick recovery from this stated limitation in the conclusion : "It should, however, be added that the state economy registering a positive 5.04 per cent growth over the first 3 years of the Seventh Plan fulfils the anticipated performance of the Plan period (5 per cent growth)". This is reiterated for the next year 1988-89 in para 1.2 which states "the overall growth of the Tamil Nadu Economy during the year was likely to exceed its 5 per cent growth per annum visualised for the Seventh Plan".

c) Similarly there is a brief expose of inter - state growth performance in para 2.6. After calling attention to the fact that for all other states, statewise income estimates are available only by the old series (1970-71 prices) upto 1986-87, there is the triennium methodology used, that is percentage change in income and growth for the triennium ending 1979-80, and that ending the year 1986-87. On this basis the average rate of growth for the seven year period for 14 states is set forth in table 10, with the conclusion that Tamil Nadu occupies the fifth place among the 14 states in the average growth rate, without any reference to what these rates mean in relation to the Plan goals.

d) There is also a constant comparison of the Tamil Nadu rates with all India rates. In para 2.1 we read "the pace of growth of the Tamil Nadu economy at 5.60 per cent was faster than that of the national economy (4.73 per cent)". In para 2.2 we read : "it could be seen that there was a good pick up in Tamil Nadu's pace of growth in 1984-85 and since then the growth rate had sustained at around 6 per cent. In all India situation the growth rate was around a lower 5 per cent in the corresponding years". In para 2.3 following table 2, it is stated that "the overall growth of NDP in Tamil Nadu both during the seventies and eighties is found to be higher than that in all India". And after setting forth the growth per capita for Tamil Nadu and all India for the seventies and eighties in Table 4, para 2.4 concludes : "Tamil Nadu's per capita income at 1980-81 prices registered a growth of 3.91 per cent over the period 1980-81 to 1987-88. which was higher than that for all India at 2.39 per cent".

This extensive expose and analysis or the growth rates statewise for the yeaf, in comparison with previous years, or the plan period, or those of other states and India leaves one with the convincing conclusion that what matters for development is the rate of growth, and so even for economists major attention is paid to ensuring the attainment of as high a rate of growth as possible, and for the lay public growth becomes the fascinating and all absorbing be all and end all of all planning.

What saves this barren situation to some extent is the analysis decomposing the growth rate into the primary, secondary and tertiary sector, where the important point is made that a) the primary and secondary sectors are the commodity producing sectors (through here again the discussion in para 2.1 gets lost in the comparison of the sectoral performances as between Tamil Nadu and all India, which is quite irrelevant) and b) the admission that even the level of the growth rate-both for Tamil Nadu and all India is due to the growth rate of tertiary sector. For the state's tertiary sector, transport

grew by 23.3 per cent in 1987-88 and the public administrative and other services grew by 30.06 per cent during that period.

This kind of highlighting of the growth rate is also distorting because :

a) Being an aggregation, both inter-sectoral and intra-sectoral, it gives the wrong signals to producers and distributors. Some instances of this are :

i) The index of agricultural production is a composite of area, yield, production, irrigated, dry foodgrains, non food grains so that it cannot give guidance on any one issue such as whether the area under millets should be expanded or whether it should replace irrigated paddy etc—Table 36, 37, 38, 39 & 40.

ii) Similarly the growth rate derived from the index of industrial production at 11.6 per cent for the 10 months of 1988 is an aggregate of the three sub sectors, mining, manufacturing and electricity, where the growth rate of each has to be adjusted by the weight assigned to it as Table IV of chapter V sets forth. Further, within manufacturing, there are innumerable sub sub groups of which Table 25 selects 25 products. The table shows that for most products the growth rate is positive and high, but states that "the losing products includes such important ones as cotton yarn, cement, power transformers and electric motors". The concentration on the aggregate growth rate distorts the analysis of the micro performance of individual industries. On the 1987 performance which was a poor 3.9 per cent set forth in table 6, the distortion stands out in the analysis as set forth in para 5. 3. 2 : "Of the 26 products, 13 were more important than the others judged by their relative weights. The only product which had enjoyed a very heavy weight and had also fared well was electricity. The only other significantly weighted product viz cotton yarn had not fared well.

There is some relevance to this industrial growth rate approach in the reference to the Annual Survey of Industries in para 54. The Survey, it is pointed out, deals with 33 industrial characteristics. " the more important being 'number of factories,' 'productive capital', 'employment', 'value of output and value added' ", But the distortion comes out when these are expressed as shares of Tamil Nadu against All India and as the structural ratios of some II industrial characteristics in para 5.4.2.

b) When the trend growth rate of the state economy which is reported at 5.60 per cent in table 2 of chapter 2, is set along side of the employment data set forth in table 2 of chapter 7, which using the 38th round of NSS material shows unemployment among urban males and urban females and rural males in Tamil Nadu as the second highest among states and for rural females as the highest in the country, the question of distortion stands out. Why is this kind of growth rate recorded by economic and the industrial sub sector irrelevant in relation to the employment needs of the people ? Does this kind of growth and growth rate distort the market signals with regard to employment ?

As an alternative to this heavy concentration on growth rates, is it possible for future appraisals to stimulate the departments and agencies concerned to develop information on development indicators along lines of the pointers set forth in the accompanying table which has been compiled rather hurriedly and which can be improved.

TABLE I

Some Development Indicators

1. Per Capita rural incomes a) from agriculture	{Rs. 655 (which places Tamil Nadu in {the last place among 15 major states.
Per capita expenditure by deciles as reported by NSS Rounds	— Rs. 0-600 per capita 5 per cent rural — Rs. 0-720 per capita 4 per cent urban
2. Primary Health Centres and sub centres (31 Dec. 1987)	8320 —25.6 per lakh of rural population (4th among 17 major states)
3. Infant mortality rate	80 per 1000 live births at March 31 1986 (6th among 15 major states)
4. Rural water supply	2925 problem villages out of 15,831 (18.5 per cent) on 1 April 1988 48.8 per cent of rural population covered by potable water supply at 31 October 1985.
5. Housing shortage	3,97,000 rural and 10,41,000 urban in 1990
6. Literacy	ranging from 68.4 per cent in Madras & 63.9 per cent in Kanyakumari to 29 per cent in Dharmapuri and 34.9 per cent in Pudukottai. Female literacy half of male literacy at 25.7 per cent in Chinglepattu, 15.8 per cent in Dharmapuri 21.1 per cent in Salem, 2.15 per cent in Periyar, 19.5 per cent in Pudukottai and for rural Tamil Nadu 25.8 per cent for females against 51.2 per cent for males.
7. Slum population, Madras city.	13,63,000 — 31.8 per cent of the city population in 1981
8. CMIE's Index of Relative Development of infrastructure 1987-88 comprising power, irrigation, roads, railways, post office, education, health, housing.	142 in March 31,1988—3rd among 15 major states
9. Railway route length	8.13 km per lakh of population in March 31, 1988.
10. Villages connected by all weather roads	63 per cent of total villages (14,561 out of 23,047 villages)

	Rural		Urban		Total	
	1977-78	1983-84	1977-78	1983-84	1977-78	1983-84
11. Poverty (percent of population living in poverty according to NSS 32nd & 38th rounds as interpreted by the government)	56.3	44.1	45.3	30.9	52.8	39.6

Source : CMIE Basic statistics relating to the Indian Economy Vol. 2 September 1988

NSSO : Thirty Eighth Round 1988 Vol II Statistical Table, Tamil Nadu : An Economic Appraisal 1988.

Employment and un-under employment is also an important development indicator. It is not included in the above table because there is an attempt to report on it later with such partial data as is available in the report.

It would now be appropriate to offer some comments on the substantive parts of the Appraisal Document.

Agriculture

In the very full report on agriculture and allied activities, five issues stand out in particular.

First, the area under paddy in the last three years is reported to be stagnant at 20 to ?3 lakh hectares. If the demand of the people is to be met at the minimum level, the current output of 55 to 58 lakh tonnes will have to increase by 50 per cent to 100 per cent in the next ten years. The major means by which paddy production in the state can be increased in by an increase in the yield, which is moving in the right direction, though the lag behind Punjab (being one third) is striking and shows the ground to be covered. There is also need to expand dry land farming which will be referred to later.

Second, the crossing of the groundnut hectarage beyond the 10 lakh mark to 11 lakh hectares is again a move in the right direction, particularly as it represents substitution of the water intensive paddy crop. The target is a modest 12.16 lakh hectares, modest in relation to the waste lands which can be used (and on which some industrialists have made offers to the government) for growing both groundnuts and pulses.

Third, for the first time there is a welcome but brief reference to dry land farming. Here there are two problems which need early attention. First, though in percentage terms the increase of dry land farming from 45 to 52 per cent in the seventies and upto the mid eighties might look impressive, in absolute terms, the area is stagnant at around 22 lakh hectares. Dry farming is one other means of meeting the area and water resource limitation which paddy faces. Second, there is a good deal of viable research in dry land farming technology that has been successfully undertaken by the Tamil Nadu Agricultural University, ICRISAT and the Arid Zone Institute in Jaipur which has not been transferred to the farmers and his field.

Fourth, in regard to milk production, there is no reference in the document to the problem of the receiving centres and chilling plants being unable to take in all the milk that is offered by the villagers. The state has chilling facilities for 12 lakh litres a day but the village cooperative societies has procured 14.13 lakh litres. While the distrrict headquarters societies and chilling centres are attempting to accept all the milk pouring into them, producers say that they are facing the problem of the disposal of their milk. This is more so in the milk shed tracts of North Arcot, Dharmapuri, Salem and Periyar districts. There in need to expand the infrastructures in this tract.

Fifth, the documents reports a disturbing decline in the eighties of inland fish production, which is the poor mans source of nitrogen. This needs attention in relation to fall in the production of fingerlings. Table 55 shows the steep decline in their production from 1983-84. Their is some pick up in 1987-88, which is still 12 per cent short of the year's target. The Fish Farmers Development Agency is not reaching more than 20 per cent of the farmers and fish production per hectare is on the decline.

Irrigation

The section on irrigation in the document is quite impressive. There are some gaps which future Appraisal document might attempt to counter.

First, there is no information on the lags in the completion of the major and medium irrigation projects, which the Union Ministry of Programme Implementation has provided on an all India basis. The indirect information given here is the gap between targets of additional potential to be created and that actually created for the first 3 years of the Seventh Plan, set forth in Table 4 of chapter 4.

Second, the relation between irrigation expenditures set forth in tables 1 and 2 and the resulting benefits to the farmers should be set forth not in terms of the somewhat abstract concept of irrigation potential (tables 3,4, & 5) but in terms of the number of waterings in the field in a crop season that the project ensures. In making this suggestion, I realise that I am going against received wisdom about irrigation potential which is the standing government and planning commission measure of the benefit derived. The concept has also some important negative value, in pointing to one of the grave wastages of our irrigation investment, which has increased in terms of the gap of irrigation potential and utilisation from 1 million hectares in the First Plan to 9 million hectares at the end of the Seventh Plan for all India. To counter this, substitutional irrigation is being tried under which minor irrigation works are being developed in the villages of major and medium commands. My suggestion is that future appraisal documents should get the irrigation commission to report on the efficiency of irrigation not by the potential created but the number of waterings per season. The germs of this suggestions are perhaps embedded in table 7 of the chapter which need to be disaggregated.

Industry

There are three issues under industry which need comment.

The first is with regard to the industries run by the state government under TNTC, SIPCOT, Sugar Cooperatives, TIDCO, and Cement, the State Transport Corporation — on all of which the document provides information. But what is not referred to is the question as to the rationale of the state government entering this production area — a question raised once more by the latest (1987-88) report of the Comptroller and Auditor General. That report calls attention to a) the poor recovery performance of SIPCOT and TIIC which has limited the recycling of their funds, resulting in poor or negative plough back of loan funds and consequent increase of their financial costs : b) the majority of the 36 Tamil Nadu government owned companies which have finalised their accounts for the year ending March 31, 1986 record losses, 23 registering a loss of Rs. 27.97 crores and only 13 showing a profit of Rs. 7.80 crores : c) the government's total investment of Rs. 381.29 crores in 72 companies yielded in 1987-88 a return of Rs. 94.2 lakhs being 0.3 per cent of its equity investments, with the aggregated accumulated losses of 25 companies at Rs. 182.41 crores being near three times their total capital of Rs. 68.08 crores. On this basis, two questions are once more posed, as has been in the last 3 annual reviews of the Appraisal documents, (see Bulletin MIDS Vol. p. 99, Vol. 18 p. 110 and Vol. 19 p. 97) namely a) whether there should not be an industrial policy resolution for the state which can be debated by business men, labour unions and the public, defining the role of the state in industrial undertakings which should not include ownership and management, and b) whether the government should not get out of these undertakings and turn them over to the private sector.

Second, in the Appraisal document there is in the detailed section following small scale industries, a new section on industrial sickness in the state. First, the report of a sharp rise in the number large scale sick units from 55 in 1988 to 105 in 1987. There is need for a careful review by a commission to be set up the state and union governments as to this disturbing increase of sickness in non SSI units whose outstanding bank credit is Rs. 210.5 crores, and which should result in a policy which will help BIFR in rehabili- the viable ones and arranging for the liquidation of the non viable ones. In addition, the Reserve Bank has introduced a new category of weak units which have been defined rather fully and which amounts to their being potential sick units which will become sick units unless immediate corrective measures are taken. As of June 1987, 51 'weak units' have been identified with outstanding bank credit of Rs. 77 crores. On these, the banks should help take corrective action now. Further, in the small scale sector there are 25,146 sick units with outstanding bank credit of Rs. 167.4 crores. This is a high rate of sickness — being over 28 per cent of the total small units. Here two actions are called for : one is for the DICs and the banks to ensure that in financing the setting up of small units, their managerial effeciency and technological updating are maintained at a high level and their infrastructural needs as to raw materials, power and marketing are promptly met : the second action is their more active promotion, particularly with the new union governments' commitment to develop decentralised structures and functioning, to employment generation on which these units are the key, with their low capital intensity of 0.25 to 1, all of which

calls for a recast of the plan frame for the small scale sector, starting with doubling its outlay, increasing the urban and rural credit agencies serving it, making their access to the agencies easy, procedures simple, limiting the access of the credit agencies to the large small scale units located in semi-urban areas and calling a halt (by the Union government) to the process of dereservation, leaving only traditional areas and tiny units to KVIC, and for the state to establish a small industry commission to provide the needed stimulus, research and training and to monitor the progress of the small units.

Third, tables 4.10 and 4.11 in the annex shows a disturbing threefold growth of chemicals and chemical products vis-a-vis metal products and machinery. This needs attention by the entrepreneurs.

Power

In the rather exhaustive treatment of the power sector in chapter 6 of the document where the physical performance of the sector it 1987-88 and 1988-89 (first 6 months) in term of installed capacity, power generation-hydel and thermal, power availability and power consumption is set forth in somewhat laudatory terms, the cost aspects of the effort are not dealt with anywhere. The running of the sector is at such a low level of efficiency that the budget had to provide during 1987-88 Rs. 113 crores as support to the Board and further additional grants to cover its losses and deficits. The study referred to in the next para points out that from a deficit of Rs. 113.40 crores (before subsidy) in 1980-81, the cumulative deficit in next 4 years was Rs. 810.35 crores. The net charge of the level of deficit in 1980-81 is Rs. 356.76.

A study of the functioning of the power sector and the means of financing its operation suggets: a) improved operational efficiency, particularly in transmission losses, adequate maintenance and some pruning of administrative staff will save Rs. 30 crores annually: b) raising the power tariff to users — both agriculturalists who are today paying about 15 per cent of the cost per unit of electricity and whose tariff should be gradually increased to cover atleast the fuel cost — 80 per cent, which will bring in Rs. 25 crores additionally per annum, and industrialists who should pay at the rate of the generation of diesel sets at the maximum, which will bring in Rs. 45 crores additionally and some rationalisation of the tariff for domestic plus fuel surcharge consumers. As an alternative or supplement, a tax on electricity users plus a fuel surcharge may be levied as is done in Maharashtra and other states. These proposals aim at eliminating the growing budget supports to the Boards.

In this section, the document refers rather proudly to the rapid increase in number of captive generating sets in industry and their increased capacity from 5829 units to 8304 units, representing an increase in capacity (MUA) from 871 to 957, without realising that this a) is an indication of the Tamil Nadu Electricity Board not being able to function so as to supply industry with its need at the appropriate time, and b) is a heavy drain on the limited crude resources of the country, on which over Rs. 1300 crores is foreign exchange was spent in 1988-89.

Employment

The employment section in the document starts with the admission of non availabilify of data on a continuous basis and repeats the 10 year old census figures on the work participation rate and the results of the 38th round of NSS which date back to 1983 in addition to comments on this data made earlier, on glaring ommission in presenting the detailed analysis of employment in the organised sector is the non mention of the important factor that out of 248 lakhs in the work force of Tamil Nadu only 21.9 lakhs were employed in the organised sector as at 31 March 1988 - that is the organised sector in the state provides employment for less than 8 per cent of the workforce.

Another issue to be noted is that while employment in the public sector increased from 14.7 lakhs in 1987 to 15.1 lakh in 1988, that is by 2.57 per cent, employment in the private corporate sector declined from 6.9 lakhs to 6.8 lakhs, that is by -1.04 per cent. In other words the industrial growth in the state which in the first 10 months of 1988 recorded 11.6 per cent led to a decline in employment in the private corporate sector, as noted earlier. Further, data on the 43 state Employment Exchanges in table 6.11 shows the number of job seekers increasing inexorably year after from 15.9 lakhs in 1984 to 24.79 lakhs in 1988. 60 per cent of them are educated job seekers — 7.96 lakhs with matriculation qualification. 5.78 lakhs undergraduate, 1.95 lakhs graduate and 49,050 post graduates, including engineering and medical post graduate. There has been a doubling of the number of educated job seekers in five years, from 8.1 lakhs in 1984 to 16.2 lakhs in 1988. There are well known limitations to the Employment Exchange data, as not all who are registered for jobs are without jobs but include those looking for better jobs. Studies show that some 20 per cent of those registered fall in this category of those looking for better jobs. As against must be set the fact that employment this exchanges are essentially located in urban centres so that the rural educated unemployed are not recorded in their data, which means that their coverage of unemployment is far from complete.

Prices

The section on prices is disturbing.

Despite the fact that the state's inflation rate is measured by the wholesale price index, which is not the price used by common man or housewife, for 1987 there was a price rise of 9.6 per cent over the 9.5 per cent rise in 1986 on this basis. This means that for these years the inflation rate in the state was near double that of the all India inflation rate at 5.6 and 5 per cent. Further, what is not realised is that the 9.9 per cent inflation in 1987 was on top of the 9.5 per cent rise in 1986, which was on top of the 4 per cent in 1985, on top of the 10.2 per cent for the previous years and so on. For the eighties, therefore, from 1980-87, the cumulative inflation rate was 91 per cent, as recorded in the table in page 59 which summarises tables 10.1.

Second, the Appraisal document points out under para 7.1.1.1 sub group behaviour that the prices of food articles rose by 7.8 per cent in 1987 and by 8.1 per cent in 1986. The prices of sub group food articles rose even

higher by 19.9 in 1987 and 13.6 per cent in 1986. How this price rise in food articles can be reconciled with the high food grains production for the two years — 74.90 lakh tonnes for 1987-88 and 73.67 lakh tonnes in 1986-87 is not explained. In para 7.2 the blunt statement is made that "commodities registering an increase in prices both during 1986 and 1987 were rice, ragi ...". The euphoria in chapter 3, Agriculture and allied activities, on the increased production of foodgrains needs to be qualified by the fact that such increased production went along with a rise in its prices.

Third, this is reflected in the sharp rise in rural prices for the first 9 months of 1987 of 8.7 per cent on top of the 8.9 per cent rise in the same period in 1987. Para 7.4 reports that the highest rise in rural prices was in food at 9.1 per cent in 1987 (first 9 months) on top of the 9.9 per cent in 1986. The fact that the consumer prices for industrial workers rose even higher by 9.4 per cent in 1987 is used as a mitigating factor for the lower rural price rise, overlooking the fact that industrial workers are protected against inflation by the system of dearness allowance that is not available to the mass of the rural workers and their families - the small and marginal farmers, landless labourers and artisans.

Para 7.5 reports that the index of parity continued to be against the farmer as the prices received by them was 8.3 per cent higher in 1987 compared to the 6.4 per cent rise in prices for articles purchased by them. So the index of parity was 60.88 in 1987 against little lower at 59.79 in 1986. This however refers to a small rural group-the large and medium farmer who have a surplus produce to sell. For the large mass of small and marginal farmers and landless labourers, and rural artisans, the rise in the price of food, cloth, edible oil etc. recorded in the consumer price index referred to earlier, and the price rise of water, fertilisers, pesticides etc. for the small and marginal farmers are not compensated by rise in their wages or farm incomes. So the index of parity must have moved more against the majority of the rural farming community.

Summary of Discussion

Dr. Malcolm S. Adiseshiah presented the paper highlighting the performance of the Tamil Nadu Economy as documented in the Economic Appraisal 1988 of the Government of Tamil Nadu. The session was chaired by Dr. S. Ambirajan.

The author highlighted the six areas that are discussed in the document viz., agriculture, irrigation, industry, power, employment and prices.

Accepting the concept 'rate of growth' as a short hand indicator of the economists, he pointed out that the growth rate evidenced and the comparison thereon with that of the other States is so often misleading and distorting. At the same time the analysis of decomposing growth rates into primary, secondary, and teritiary sector in the document was welcomed. The author also pointed out some development indicators that can be used to measure the real development in the Tamil Nadu economy and emphasised the relavance of such indicators over the conventional indicators. The author while referring to the differential impact of inflation on the different sections of the population expressed his concern over the rural lot who are left unarmed to face the onslaught of inflation which is a national phenomenon.

The Chairman initiated the discussion by observing that the paper is well contoured with comments, analysis and suggestions for policy directions on the document.

One of the participants pointed out that this documentary exercise can improve itself by adopting the approach of the similar documents published by the neighbouring States. Taking the position that growth rates are a condensed version of change, a missing component in the disagregation excercise was the absence of social disagregation. The intricacies of the change is to be seen in such social disagregation along with the analytical and functional disagregation exercises carried out. To gauge the real change, the disagregation should be regional, functional and social. The participant registered his concern over the growing privatisation of irrigational sources which are a deterent to the interests of small and marginal farmers to augment the social resource viz., water. In the context of documenting the overall growth and performances of the sectors it was pointed

out that the performances of the industry particularly the power sector performance, boosted the figure and the arguements putforth are hence distorting. Again the better performance of the primary sector conveyed through the figures are more due to wide flutuations in the agricultural production and this can be seen in the marginal increase of NSDP from 25 to 27 per cent with the share of labour remaining at 70 per cent reflecting the low labour productivity in the agricultural sector. Pointing out the efforts to attain self-sufficiency in paddy production and the inadequacies in achievements, the question was raised against continuing the same package of crop husbandary or to shift to some other crops like groundnut under dry farming. A long term strategy for a radical change in the cropping pattern was voted as the need of the hour. The employment position was also not showing a positive sign in terms of registeration as well as placement of the educated unemployed category. The so called utilitarian courses (science, commerce etc.) are also showing poor performance in terms of placement of candidates registered with the employment exchanges. The figures suggest that the unregistered categories even in the utilitarian courses outweigh its counterpart in the non-utilitarian courses (arts).

Another participant called attention to the problem of capital being locked in the sick industries and called for a cohesive Industrial Policy Resolution to be evolved and implemented. It was also suggested that the power sector should at least be partly privatised.

One of the participants pointed that the purpose of the document is mainly a stock-taking exercise only. He also brought the attention of the participants on the productivity of paddy cultivation in Tanjavur region (the granery of Tamil Nadu) and that the type of attention paid to the region regarding inputs for the agriculture sector is a point in question. Dry land development, a review of crop husbandary, provision of proper industrial climate were some aspects emphasised here.

Another participant doubted feasibility of the type of development indicators suggested by the author given the nature and timings of collection of certain data sets.

Another participant cautioned about the negligence of the environment preservation. Indeed the developmental statistics acts as a motive force for the environmental hazard.

Along with the existing data a participant felt that the data generated by the State Level Banker's Committee can be made use to improve the quality of the analysis.

The author in his final round of reactions showed his concern over the attitude of the Government on the findings and recommendations of the committee reports in general. On indicating suggestions for the improvement of the document, aspects like an assesment of the economy for the current year and also a concluding section on problems and prospects of the Tamil Nadu Economy can be incorporated in the lines of the Economic Survey from the Centre.

The Chairman in his concluding remarks observed that the notion of development of the economy should include all the indicators suggested including the question of environmental hazard and should reflect on the performance in the employment front.

S. Thirumalai Velayutham

Reservations in Theory and Practice

P. Radhakrishnan

From a socio-historical perspective, and from the perspective of the Indian Constitution, India's backward classes are its historically disadvantaged sections, broadly comprising what are now termed the Scheduled Castes (SCs), Scheduled Tribes (STs), and to a lesser extent, the Other Backward Classes (OBCs) or just Backward Classes (BCs) as a more familiar usage. Stated differently, they are the victims of a hierarchical society, the historical communities of the despised and the damned, the depressed and the downtrodden. Because of their accumulated disadvantages it is only through sponsored mobility programmes that they can participate in independent India's national life on anything like terms of equality with the other groups. And, in the absence of such programmes India's commitment to the equality principle can only aggravate the existing inequalities.

Constitutional provisions

Proceeding from an awareness of of these truisms is the directive in Article 46 of the Constitution that the State shall promote with special care the educational and economic interests of the weaker sections of the people, and in particular. of the SCs and the STs, and shall protect them from social injustice and all forms of exploitation.

This, and all the other special dispensation provisions in the Constitution come under the rubric of what are differently termed compensatory discrimination, protective discrimination, reverse discrimination, preferential treatment, affirmative action, and so on.

Briefly, these provisions included the abolition of caste-based untouchability — an extreme form of social exclusion, discrimination, disability, and inequality — and prohibition on its practice in any form (Art. 17) ; consideration of the claims of the SCs and the STs in the appointment to services and posts in connection with the affairs of the Union or the States (Art. 335) ; reservation of seats in proportion to their numbers for the SCs and the STs in the Lok Sabha (Art. 330) and in the Vidhan Sabhas (Art. 332) ; reservation of appointments or posts in favour of any backward class of citizens which,

in the opinion of the State, is not adequately represented in its services (Art. 16 (4)); and making any special provision for the advancement of any socially and educationally backward classes of citizens or for the SCs and the STs (Art. 15 (4)).

Of these, only the legislative reservations have any Constitutional time limit. But even these reservations, though originally to expire after ten years (Art, 334), have come to stay as a stable feature of India's State policy through successive Constitutional amendments including the latest amendment extending the time limit for yet another ten years [1].

In theory, these provisions are intended to create conditions for the social advancement of the disadvantaged groups, for their integration into mainstream society, and participation in India's social life and its opportunity structure on equal terms with the historically advantaged groups. In practice, however, like Buridan's ass [2] the State has been in a dilemma of choosing between its alternatives. This is mainly because of the tenacious hold of traditional India's ethos of hierarchy and inequality on the State and its bureaucracy ; and partly because of the incorporation of the special dispensation provisions into a regime of Constitutionally guaranteed rights, in particular, rights to formal equality. Consequently, the actual performance of the provisions falls far short of announced aspirations and remains half-hearted attempts at a kind of crude statistical equality devoid of the much needed socio-cultural vitality which alone can eventually, if at all, equalise social life. That such a statistical equality itself is a far cry even after four decades of planning and implementation underscores the enormity of the task ahead of undoing the wrongs of the past. Grappling with this reality is grappling with the hiatus between the perception and practice of the special dispensation provisions. A proper understanding of the target groups and the hitherto impact of the implementation of the core provisions on them are a precondition for both.

Target groups

Of the target groups SCs are a colonial euphemism for (lower) ranking 'untouchables', and are designated so on the basis of caste-based 'untouchability'. However, only 'untouchables' within the Hindu fold (including Sikhs and neo-Buddhists) are entitled to be so designated, and the SCs embracing other religons lose their Constitutional benefits. While this Hindu requirement for membership even in the SC category is a continuation of the colonial contention (in the context of the 'depressed classes') that conversion to Christianity brought about a concommitant change in the social status of the converts [3], in the Constitutional context it is anti-secular and anachronistic.

But for this limitation, and the probable dilemma of deciding on the degree of 'untouchability' in certain cases, the identification of the SCs has been fairly clear and settled, and over the years the criterion has remained almost unchanged. The Constitution also provides the procedure for designating the SCs. Under Article 341 (1) the President is empowered to specify with respect to any State or Union territory, the castes, races or tribes or parts of or groups within castes, races and tribes which shall be deemed to be SCs in relation to that State or Union territory. Once

promulgated, this list can be changed only by Act of Parliament (Art. 342 (2)).

The identification of the STs is still less problematic. The groups included in this category are distinguished by their tribal culture and physical isolation, and many of them are residents of specifically protected Scheduled Areas. The general mechanism for designating the STs is identical with that of the SCs. However, unlike the SCs, the STs do not lose their Constitutional benefits by conversion.

As against these two categories, the identification of the OBCs has been too problematic and controversial ; more so, because of the absence of any Constitutional definition of them or any exclusive method or agency for their designation. As the references in the Constitution are to socially and educationally backward classes which specifically include the SCs and the STs, ideally the OBCs should be only a residual category. That is, the historically disadvantaged lower strata of society just above the SCs and the STs, and not all those groups which are disadvantaged because of present circumstances. For, among the former the backwardness is cumulative, arising out of the interplay of socio-cultural and economic factors, whereas among the latter it is primarily due to poor economic conditions.

The Constitutional provision for appointment of a Commission to investigate into the conditions of the socially and educationally backward classes (Art. 340) implies the identification of the OBCs by the Commission so appointed. But in the absence of the acceptance by the State of the findings of the two Commissions appointed so far, the OBCs have become a much-hackneyed political category. Consequently, the criteria for their identification have varied from State to State and the OBCs have become an overstretched category comprising several groups of disparate socio-economic conditions including those which are not backward in the Constitutional sense. Because of this and the rather limited stress of the Constitution on the provisions for the OBCs any appraisal of the impact of the special dispensation provisions on the backward classes should separate the SCs and STs from the OBCs.

Special dispensation and the SCs and STs

For analytical purposes the measures undertaken in pursuance of the various special dispensation provisions may be treated as of three broad but related categories, viz., protective, developmental, and preferential. Abolition of untouchability, and protection of persons subjected to the disabilities arising out of untouchability (Protection of Civil Rights Act, 1976) ; prohibition on bonded labour and rehabilitation of the freed bonded labourers (Bonded Labour System (Abolition) Act, 1976); and administration of Scheduled and Tribal Areas come under the first category. Various educational schemes such as post-matric scholarships and girls hostels under the Central sector, and prematric stipends, reimbursement of tuition fee, book banks, hostels, and ashram schools under the State sector, Tribal subplans, Special Component Plans of the Centre and States for the SCs, Special Central Assistance for the SCs and STs, and the SCs Development Córporations are of the second category. Legislative, educational and employment reservations are of the third category. Of these the effective implementation

of the measures of the first two categories is a precondition for actualising the measures of the third category.

However, the hitherto implementation of these measures has been too ineffective to achieve their intended objectives. This is evident from the various reports of the Commissioner (and also Commission since 1978) for SCs and STs. These reports reveal that untouchability is still widely practised with utter impunity, particularly in rural areas; that atrocities on SCs and STs still continue unabated and if anything are on the rise now; that the Bonded Labour System (Abolition) Act has failed to eradicate bonder labour, while the freed bonded labourers are either back in, or still on the verge of, further bondage; that bulk of the SCs are still landless labourers or sharecroppers or marginal farmers, while some are still engaged in traditional occupations such as flaying, tanning, leather work, basketry, and scavenging; and that the SCs are still not owners of productive resources, while the STs are slowly losing such resources as a result of unimaginative laws and development schemes.

Educational Status

As the SCs and STs can take advantage of the measures of the third category, especially of employment and educational reservations only with educational advancement, and educational advancement can come about only with socio-economic advancement, their educational status can be a crucial indicator of their overall progress as beneficiaries of the special dispensation provisions.

Literacy

No doubt, there has been some progress in the growth of literacy among them during the last three decades. This is evident from the data presented in Table 1.

Among the SCs, STs and the general population (including SCs and STs) the literacy precentages in 1961 were 10.3, 8.5, and 24 respectively. These Percentages had increased to 14.7, 11.3, and 29.5 in 1971; and to 21.4, 16.4, and 36.2 in 1981. Compared to the general population the increase is relatively more significant in Kerala, Himachal Pradesh, Tripura, Maharashtra, Jammu and Kashmir, Gujarat, Tamil Nadu, Dadra-Nagar Haveli, Pondicherry, and Delhi, in the case of SCs; and in Nagaland, Himachal Pradesh, Maharashtra, Kerala, Tamil Nadu, Andaman-Nicobar Islands, and Lakshadweep, in the case of STs. At the all India level and in most States and Union territories the increase is more significant during 1971-81 than during 1961-71 for all the three categories, and more significant for SCs than for STs.

Despite this increase in the rate of literacy, the SCs and STs are still far behind the general population (even including the SCs and STs) in most States and Union territories. Between the SCs and STs the latter are farther behind. There is also considerable variation in the extent of literacy amongst the SCs and STs from region to region and between various communities within each of these categories. What is more, as literacy is understood in the Census' sense of mere ability to read and write, it is at best the base of the educational pyramid, and any growth in it assumes meaning and significance only if it is sustained at the higher levels. That this has not happened is evident from Table 2.

TABLE 1

Literacy percentages of SCs, STs and general population

SN	STATES/UTs	Year	SCs	STs	General	Decade	Change		
							SCs	STs	General
1	Andhra Pradesh	[1961	8.5	4.4	21.2	[1961-71	2.2	0.9	3.4
		[1971	10.7	5.3	24.6	[1971-81	7.0	2.5	5.4
		[1981	17.7	7.8	29.9	[1961-81	9.1	3.4	8.7
2	Bihar	[1961	6.0	9.2	18.4	[1961-71	0.6	2.5	1.5
		[1971	6.5	11.6	19.9	[1971-81	3.9	5.3	6.3
		[1981	10.4	17.0	26.2	[1961-81	4.4	7.8	7.8
3	Gujarat	[1961	22.5	11.7	30.5	[1961-71	5.3	2.4	5.3
		[1971	27.7	14.1	35.8	[1971-81	12.1	7.0	7.9
		[1981	39.8	21.1	43.7	[1961-81	17.3	9.5	13.2
4	Himachal Pradesh	[1961	8.5	8.6	17.1	[1961-71	10.4	7.3	14.9
		[1971	18.8	15.9	32.0	[1971-81	12.7	10.0	10.5
		[1981	31.5	25.9	42.5	[1961-81	23.0	17.3	25.4
5	Jammu & Kashmir	[1961	4.7	—	11.0	[1961-71	7.3	—	7.6
		[1971	12.0	—	18.6	[1971-81	10.5	—	8.1
		[1981	22.4	—	26.7	[1961-81	17.7	—	15.7
6	Karnataka	[1961	9.1	8.2	25.4	[1961-71	4.8	6.7	6.1
		[1971	13.9	14.9	31.5	[1971-81	6.7	5.3	6.9
		[1981	20.6	20.1	38.5	[1961-81	11.5	12.0	13.0
7	Kerala	[1961	24.4	17.3	46.8	[1961-71	15.8	8.5	13.6
		[1971	40.2	25.7	60.4	[1971-81	15.8	6.1	10.0
		[1981	56.0	31.8	70.4	[1961-81	31.5	14.5	23.6

Table 1 contd.

SN	STATES/UTs	Year	SCs	STs	General	Decade	Change		
							SCs	STs	General
8	Madhya Pradesh	[1961	7.9	5.1	17.1	[1961-71	4.6	2.5	5.3
		[1971	12.5	7.6	22.4	[1971-81	6.5	3.1	5.4
		[1981	19.0	10.7	27.9	[1961-81	11.1	5.6	10.8
9	Maharashtra	[1961	15.8	7.2	29.8	[1961-71	9.5	4.5	9.4
		[1971	25.3	11.7	39.2	[1971-81	10.3	10.5	8.0
		[1981	35.6	22.3	47.2	[1961-81	19.8	15.1	17.4
10	Manipur	[1961	22.4	27.3	30.4	[1961-71	4.1	1.5	2.5
		[1971	26.4	28.7	32.9	[1971-81	7.2	11.0	8.4
		[1981	33.6	39.7	41.4	[1961-81	11.3	12.5	11.0
11	Nagaland	[1961	—	14.8	17.9	[1961-71	—	9.3	9.5
		[1971	—	24.0	27.4	[1971-81	—	16.3	15.2
		[1981	—	40.3	42.6	[1961-81	—	25.6	24.7
12	Orissa	[1961	11.6	7.4	21.7	[1961-71	4.0	2.1	4.5
		[1971	15.6	9.5	26.2	[1971-81	6.8	4.5	8.0
		[1981	22.4	14.0	34.2	[1961-81	10.8	6.6	12.5
13	Rajasthan	[1961	6.4	4.0	15.2	[1961-71	2.7	2.5	3.9
		[1971	9.1	6.5	19.1	[1971-81	4.9	3.8	5.3
		[1981	14.0	10.3	24.4	[1961-81	7.6	6.3	9.2
14	Tamil Nadu	[1961	14.7	5.9	31.4	[1961-71	7.2	3.1	8.1
		[1971	21.8	9.0	39.5	[1971-81	7.9	11.4	7.3
		[1981	29.1	20.5	46.8	[1961-81	15.0	14.6	15.4
15	Tripura	[1961	13.4	10.0	20 2	[1961-71	7.1	5.0	10.8
		[1971	20.2	15.0	31.0	[1971-81	13.4	8.0	11.1
		[1981	33.9	23.1	42.1	[1961-81	20.5	13.1	21.9

16	Uttar Pradesh	[1961	7.1	—	17.6	[1961-71	3.1	—	4.1
		[1971	10.2	—	21.7	[1971-81	4.8	—	5.5
		[1981	15.0	—	27.2	[1961-81	7.8	—	9.6
17	West Bengal	[1961	13.6	6.6	29.3	[1961-71	4.2	2.4	3.9
		[1971	17.8	8.9	33.2	[1971-81	6.6	4.3	7.7
		[1981	24.4	13.2	40.9	[1961-81	10.8	6.7	11.6
1	Andaman-Nicobar Is	[1961	—	11.1	33.6	[1961-71	—	6.8	10.0
		[1971	—	17.9	43.6	[1971-81	—	13.3	8.0
		[1981	—	31.1	51.6	[1961-81	—	20.0	18.0
2	Dadra & Nagar Haveli	[1961	26.6	4.4	9.5	[1961-71	6.6	4.5	5.5
		[1971	33.2	8.9	15.0	[1971-81	18.0	8.0	11.7
		[1981	51.2	16.9	26.7	[1961-81	24.6	12.5	17.2
3	Delhi	[1961	20.9	—	52.7	[1961-71	7.3	—	2.9
		[1971	28.2	—	55.6	[1971-81	11.1	—	5.9
		[1981	39.3	—	61.5	[1961-81	18.4	—	8.8
4	Lakshadweep	[1961	—	22.3	23.3	[1961-71	—	19.1	20.4
		[1971	—	41.4	43.7	[1971-81	—	11.8	11.4
		[1981	—	53.1	55.1	[1961-81	—	30.9	31.6
5	Pondicherry	[1961	11.1	—	37.4	[1961-71	7.6	—	8.6
		[1971	18.7	—	46.0	[1971-81	13.7	—	9.8
		[1981	32.4	—	55.9	[1961-81	21.3	—	18.5
	All India	[1961	10.3	8.5	24.0	[1961-71	4.4	2.8	5.4
		[1971	14.7	11.3	29.5	[1971-81	6.7	5.1	6.8
		[1981	21.4	16.4	36.2	[1961-81	11.1	7.6	12.2

Note : Dash indicates nil or negligible percentage of population of the concerned category. The Table represents only those States/UTs for which comparable data are available.

Source : Tabulated from the Census of India, vol. 1, parts VA (i) and IIC (i) of 1961; series 1, parts IIA (ii) and VA (ii) of 1971; and series 1, part IIB (i-iii) of 1981.

TABLE 2

Enrolment ratios of SCs, STs, and other communities

	Classes I-V				Classes VI-VIII			
	1968-9	1973-4	1978-9	1982-3	1968-9	1973-4	1978-9	1982-3
SCs	64.1	68.9	79.9	91.0	20.5	22.1	26.5	34.3
STs	52.3	59.3	66.4	79.4	14.1	15.7	17.9	24.1
Others	82.8	90.7	87.1	87.2	37.7	40.4	42.1	43.9

Note : The enrolment ratios are to the age groups of 6 to 11 years in the case of classes I-V, and 11 to 14 years in the case of classes VI-VIII. The figures for others for 1982-3 are for general population which presumably include the SCs and STs also.

Source : Reports of the Commissioner for SCs and STs, 1975-77, 1979-81; and Report of the Comission for SCs and STs, 1983-84.

Enrolment

The data presented in the Table may give the impression that in the primary stage the SCs and STs have almost caught up with the other communities. This may not be true because of the greater chances of the enrolment at this stage of overage SC-ST children. What is, however, more important to note here is that at the middle stage the enrolment ratio of the SCs and STs, especially of the STs is still incoparably lower than that of the other communities. Here again, there is considerable variation from region to region. In the case of the SCs the position is far from satisfactory in Andhra Pradesh, Bihar, Haryana, Karnataka, Madhya Pradesh, Orissa Rajasthan, Uttar Pradesh, and West Bengal, where the enrolment ratio is still below one-third. In the case of the STs it is so in Andhra Pradesh, Madhya Pradesh, Orissa, Rajasthan, Tamil Nadu, Tripura, West Bengal, and Dadra-Nagar Haveli, where the enrolment ratio is still than one-fourth[4].

As the SCs and STs move up in the educational ladder their enrolment ratio also shrinks, or their drop out rate increases correspondingly. This is evident from Table 3.

TABLE 3

Percentage enrolment of SCs and STs to total enrolment, 1976-78

State/VT	Scheduled Castes				Scheduled Tribes			
	Popn%	HS	UG	PG	Popn%	HS	UG	PG
1 Andhra Pradesh	14.9	7.8	7.1	7.1	5.9	0.9	0.7	0.4
2 Bihar	14.5	5.9	3.6	1.5	8.3	5.4	3.1	NA
3 Gujarat	7.2	6.3	6.0	2.4	14.2	4.2	3.9	1.5
4 Haryana	19.1	10.2	4.6	4.6	—	—	—	—
5 Himachal Pradesh	24.6	13.8	4.1	NA	4.6	2.4	2.9	NA
6 Jammu & Kashmir	8.3	4.6	2.0	1.1	—	—	—	—
7 Karnataka	15.1	4.9	5.9	4.3	4.9	0.8	0.6	0.5
8 Kerala	10.0	8.5	3.8	6.4	1.0	0.4	0.5	0.5
9 Madhya Pradesh	14.1	6.7	6.0	5.5	23.0	4.9	1.1	2.2
10 Maharashtra	7.1	9.0	9.4	11.4	9.2	2.2	2.0	2.4
11 Meghalaya	0.4	1.2	2.6	0.5	80.6	72.8	56.3	35.8
12 Orissa	14.7	8.9	3.5	3.5	22.4	7.1	3.1	2.1
13 Punjab	26.9	17.9	8.7	5.8	—	—	—	—
14 Rajasthan	17.0	7.5	4.8	5.2	12.2	3.9	2.8	4.9
15 Tamil Nadu	18.4	15.0	7.4	6.5	1.1	0.3	0.5	0.8
16 Uttar Pradesh	21.2	10.5	10.8	10.9	—	—	—	—
17 West Bengal	22.0	7.9	11.0	6.2	5.6	1.8	1.2	0.1
18 Delhi	18.0	6.1	5.0	3.3	—	—	—	—
19 All India	15.8	9.3	7.5	7.5	7.8	2.2	1.6	1.3

Note : Dash indicates nil or negligible percentage of population ; NA = Not available; HS = high/higher secondary school; UG—Undergraduate; PG—Postgraduate. The figures for HS are for 1976-77; those for UG and PG are for 1977-76.

Source : Census of India, 1981, Series I, India, Primary Census Abstracts for SCs and STs; Report of the Commissioner for SCs and STs, 1979-81, part 2.

It is only in Maharashtra and Meghalaya that the enrolment of the SCs as percentage of the total enrolment in high school, UG and PG equals or exceeds their population percentage. In virtually all the other States it is below their population percentage at all the three stages. In the high school itself the position is very bad in all but Gujarat, Kerala, and Tamil Nadu, while in the UG and PG it deteriorates further even in these states. In the case of the STs the enrolment percentage at all the three stages is far below their population percentage in virtually all the States.

The access of the SCs and STs to higher education is further reduced by the fact that the instructions issued by the Government of India for reservation of seats are not followed by a number of States.

Representation in public services

If the SCs and STs are thus still far behind the general population in their educational status, it is only to be expected that they are also so in their representation in public services. This is evident from Tables 4 and 5.

Though the representation of the SCs in Central Services has increased since 1965 in all the four classes of jobs, it is only in classes 3 and 4 that it equals or exceeds their population percentage. In classes 1 and 2, especially in class 1 it is far below their population percentage. The representation of the STs is still worst and far below their population percentage in all the four classes, particularly in classes 1 and 2.

TABLE 4

Percentage representation of SCs and STs in Central services

Date	Scheduled Castes				Scheduled Tribes			
	1	2	3	4	1	2	3	4
1-1-1965	1.6	2.8	8.9	17.8	0.3	0.3	1.1	3.4
1-1-1975	3.4	5.0	10.7	18.6	0.6	0.6	2.3	4.0
1-1-1983	6.7	10.2	14.6	19.6	1.4	1.5	4.1	5.5

Source : Report of the Planning Commission's Working Group on the development of SCs and STs, 1980-85; reports of the Commissioner for SCs and STs, 1971-72 to 1979-81; reports of the Commission for SCs and STs, 1978-79 to 1985-86.

TABLE 5

Percentage representation of SCs and STs in the services of States and Union Territories

SN States/UTs	Popn % 1971	Year	Class 1	Class 2	Class 3	Class 4	Popn % 1981	Year	Class 1	Class 2	Class 3	Class 4
SCHEDULED CASTES												
1 Gujarat	6.8	1971	1.6	2.3	4.8	18.3	7.2	1981	5.3	4.5	10.6	24.2
2 Haryana	18.9	1970	1.6	2.7	5.6	17.4	19.1	1984	5.8	4.6	12.3	27.4
3 Himachal Pradesh	22.2	1967	1.4	7.6	8.5	15.3	24.6	1983	5.4	7.9	12.0	20.1
4 Karnataka	13.1	1972	4.6	4.8	7.4	17.3	15.1	1985	12.6	8.8	10.3	21.0
5 Kerala	8.3	1974	2.0	2.7	7.0	2.5	10.0	1984	(6.8)		(8.6)	
6 Madhya Pradesh	13.1	1972	1.7	2.1	5.2	4.7	14.1	1986	2.1	5.3	9.2	11.8
7 Maharashtra	6.0	1971	2.1	2.2	10.5	23.6	7.1	1983	5.3	8.7	12.8	20.7
8 Manipur	1.5	1971	0.9	0.8	1.3	0.9	1.3	1981	0.5	0.6	1.5	1.2
9 Orissa	15.1	1971	1.0	0.6	7.7	17.8	14.7	1977	0.7	1.0	7.9	17.1
10 Punjab	24.7	1971	5.3	3.9	11.9	35.0	26.9	1984	6.7	0.0	17.5	53.4
11 Rajasthan	15.8	1971	4.1	5.1	14.0	24.6	17.0	1983	13.3	11.9	17.1	26.6
12 Tamil Nadu	17.8	1971	4.0	10.8	(12.2)		18.4	1985	6.0	13.5	11.9	15.7
13 Tripura	12.4	1971	1.7	3.2	6.8	11.9	15.1	1983	2.9	5.0	8.2	14.7
14 Uttar Pradesh	21.0	1970	(2.0)		6.0	6.8	21.2	1980	4.8	4.6	10.0	17.6
15 West Bengal	19.9	1969	2.2	3.2	3.2	13.7	22.0	1981	4.1	5.5	9.9	20.0
16 Arunachal Pradesh	0.1	1971	0.9	0.6	1.9	0.8	0.5	1984	2.8	2.3	3.0	4.4
17 Chandigarh	11.3	1971	3.9	1.6	7.1	22.7	14.1	1983	9.9	10.6	13.8	40.3
18 Dadra-Nagar Haveli	1.8	1972	0.0	0.0	3.5	16.7	2.0	1980	9.1	15.4	5.7	11.0
19 Delhi	15.6	1971	2.1	2.3	6.9	19.3	18.0	1984	8.1	7.8	10.1	26.8
20 Pondicherry	15.5	1971	0.0	1.1	2.7	9.9	16.0	1986	4.1	10.7	9.1	14.4

Table 5 contd.

SN States/UTs	Popn % 1971	Year	Class 1	Class 2	Class 3	Class 4	Popn % 1981	Year	Class 1	Class 2	Class 3	Class 4
SCHEDULED TRIBES												
1 Gujarat	14.0	1971	0.3	0.6	4.4	5.3	14.2	1981	3.5	2.4	8.7	12.0
2 Himachal Pradesh	4.1	1967	1.9	8.9	2.7	5.1	4.6	1983	3.9	3.7	3.4	5.8
3 Karnataka	0.8	1972	0.7	1.1	0.7	1.7	4.9	1985	2.0	1.9	1.5	2.7
4 Kerala	1.3	1974	0.1	0.1	3.0	1.5	1.0	1984	(0.5)		(0.5)	
5 Madhya Pradesh	20.1	1972	0.7	1.4	5.1	3.6	23.0	1986	1.0	2.4	9.5	8.7
6 Maharashtra	5.9	1971	0.3	0.3	2.3	3.8	9.2	1983	1.3	0.0	4.1	5.5
7 Manipur	31.2	1971	4.7	10.0	25.0	21.0	27.3	1981	10.2	11.7	32.6	21.2
8 Orissa	23.1	1971	0.2	0.4	6.5	10.9	22.4	1977	0.4	0.5	6.2	8.1
9 Rajasthan	28.0	1971	1.8	3.9	3.9	11.7	12.2	1983	2.4	7.8	5.8	20.6
10 Tamil Nadu	0.8	1971	0.1	0.2	(0.2)		1.1	1985	0.4	0.1	0.3	0.4
11 Tripura	28.9	1971	3.5	3.3	10.9	16.0	28.4	1983	2.7	5.7	14.6	18.1
12 Uttar Pradesh	0.2	1970	0.0	0.0	0.0	0.0	0.2	1980	0.0	0.3	0.3	0.7
13 West Bengal	5.7	1969	0.1	0.5	1.0	2.4	5.6	1981	0.8	0.6	2.1	4.6
14 Andaman-Nicobar Is	15.7	1972	0.0	0.0	2.2	8.4	11.9	1980	0.0	0.0	2.9	4.4
15 Arunachal Pradesh	79.0	1971	10.3	11.9	18.0	37.2	69.8	1984	14.3	21.1	27.1	49.5
16 Dadra-Nagar Havell	86.9	1972	0.0	0.0	26.0	59.6	78.8	1980	0.0	3.8	27.2	78.1
17 Lakshadweep	92.9	1971	0.0	21.4	36.7	69.8	93.8	1980	38.4	37.5	55.6	90.4

Source : Tabulated from the reports of the Commissioner for SCs and STs, 1971-72 to 1979-81; and reports of the Commission for SCs and STs, 1978-79 to 1985-86

Comparison of the data on the representation of the SCs and the STs in the services of the States and Union territories for the earliest and latest available years reveals similar shortfalls despite an increasing trend over the years.

It is only in Arunachal Pradesh, and Dadra-Nagar Haveli that the representation of the SCs is relatively adequate in all the four classes; it is only in Maharashtra that their representation is adequate in all but class 1; and it is only in Gujarat, Kerala Manipur, Rajasthan, and Chandigarh that their representation is adequate at least in classes 3 and 4. In all the remaining States and Union territories their representation is below their population percentage. Their representation in classes 1 and 2 is especially poor in Haryana, Himachal Pradesh, Madhya Pradesh, Orissa, Punjab, Tamil Nadu, Uttar Pradesh, and West Bengal.

The position of the STs is still worst. They are under-represented in all the four classes, especially in classes 1 and 2 in virtually all the States and Union territories.

While the data thus portray a dismal picture of the SCs and STs as beneficiaries of the various special dispensation provisions, as the Working Group of the Planning Commission has rightly pointed out in the context of the SCs, "there is no reasonable ground for the non-Scheduled castes to feel that the policy of reservation has conferred disproportionate benefits on the Scheduled Castes" [5]. But more important than dispelling this fear is the need for streamlining the implementation of the provisions. For doing this its present limitations have to be borne in mind.

Limitations

These limitations are of at least six types :

First, the failure to comprehend the complexity of the task as is evident from the meagre and woefully inadequate budget allocations in the successive Plans for the programmes covering the SCs and STs.

Second, the misconception of the Constitutional provision for taking into account the employment claims of the SCs and STs "consistently with the maintenance of efficiency of administration" (Art. 335). For preventing the abuse of this efficiency clause, the Planning Commission's Working Group mentioned earlier recommended the deletion of the clause itself. That is, however, only a desparate remedy. Consistency with efficiency has to be construed as equipping the disabled, after their entry into service, to work with others on equal footing through a package of practices.

Third, the lack of any national mechanism for effectively enforcing the various measures. While the Commissioner and the Commission for SCs and STs are expected to monitor the implementation of the various Constitutional provisions for SCs and STs, they have no powers to enforce any of these provisions. That apart, even the mere monitoring has been well neigh impossible for them, and their reports deplore time and again their inability to get the required information from the State governments even after repeated reminders.

Fourth, the 'higher-echelon' nature of the benefits and the lack of access of the members of the target groups, especially those at the lower levels, to

the administration, to the political system, and to the judiciary.

Fifth, the absence of any mechanism for gradually excluding individuals or groups from the purview of the special dispensation provisions once they have attained measurable self-reliance in terms of inter-generational socio-economic, educational and occupational attainments or mobility. Such exclusion will prevent the present concentration and result in the diffusion of the benefits.

Sixth, the absence of any mechanism for special attention to the most needy by disaggregating the individual beneficiaries into groups most deserving, least deserving, and so on.

Seventh, the failure of the reservation provisions to penetrate private employment and educational institutions.

Special dispensation and the OBCs

The implementation of the Constitutional provisions for the OBCs has been in greater disarray, and has already caused enough public indignation. This has been mainly because of the failure of the Government of India to evolve a central policy for the idenification and advancement of the OBCs.

Kaka Kalelkar Commission

The appointment of the first Backward Classes Commission in January 1953 was aimed at evolving such a policy. But the Commission's report, submitted in March 1955, did not serve this purpose.

The Commission prepared a list of as many as 2399 communities, with 837 of them as most 'backward', and recommended an array of measures for their upliftment, reservation of at least 25 per cent jobs in class 1, 33.3 per in class 2, and, 40 per cent in classes 3 and 4 ; and 70 per cent seats in all technical and professional institutions.

The Commission formulated a) low social position in the traditional caste hierarchy of Hindu society, b) lack of general educational advancement among majority of a caste or community, c) inadequate representation in trade, commerce, and industry, as the criteria for identifying the OBCs, and related social backwardness to the first criterion.

However, out of its eleven members three opposed linking caste with backwardness and the reservations on the basis of caste, while one strongly advocated the acceptance of caste as the criterion of backwardness. As a last minute volte face the chairman himself repudiated the Commission's work especially its acceptance of caste as the basis of backwardness and recommendations for reservations in public services.

In its memoranaum of action taken on the Commission's report (laid before the Parliament along with the report in September 1956), the Government of India expressed unequivocally its displeasure with the criteria adopted

> For the purpose of the enquiry specifically contemplated in Article 340 of the Constitution it was necessary to consider whether these other backward sections could be properly classified, and the Commission had to find objective tests and criteria by which such classifications were to be made ; they had to find indisputable yardsticks by which social and educational backwardness could be measured. The report of the Commission has not been

unanimous on this point ; in fact, it reveals considerable divergence of opinion.

It also pointed out that of the 2399 communities listed by the Commission 930 alone accounted for an estimated population of 11.5 crores, with the SCs and STs making up another 7 crores, and that "if the entire community, barring a few exceptions, has thus to be treated as backward, the really needy would be swamped by the multitude and hardly receive any special attention or adequate assistance ; nor would such dispensation fulfil the condition laid down in Article 340 of the Constitution".

When its efforts to devise some positive and workable criteria other than caste failed, in May 1961 the Government decided against drawing up all India lists of OBCs[6], and extending reservations in its services for any groups other than the SCs and STs. Consequently, in August 1961 it informed the State governments that while they have the discretion to choose their own criteria for defining backwardness, in its view it would be better to apply economic tests rather than go by caste[7].

Mandal Commission

The second Backward Classes Commission appointed by the Janata Government in December 1978 was a renewed, albeit belated, attempt at evolving a national policy on the OBCs. The Commission submitted its report in December 1980, recommending, among other things, reservation of 27 percent jobs in all public services, and 27 percent seats in all scientific, technical, and professional institutions run by the Central and State governments for the OBCs listed by it.

The Congress I which came to power at the Centre soonafter shelved the report for about two years, then placed it before the Parliament, and then stayed away from any action on it for almost a decade. Though the National Front which came to power at the Centre recently seems to be committed to the implementation of the report, going by the fate of the first report one has to be sceptical about the outcome. This is for at least three reasons :

First, the Commission's report gives the impression that it has also laid great emphasis on caste backwardness, though in point of fact, this was not so as will be made clear later. Of the eleven indicators used by it for identifying the Hindu OBCs, four were on caste-based social backwardness, three on educational backwardness, and another four on economic backwardness. Giving a total weightage of twelve points to the first, six points to the second, and four points to the third set of indicators, and applying all the indicators to all the castes covered by its survey, the Commission listed those castes which had a total score of eleven points or more as backward and the rest as advanced.

Second, if adding up communities of the different regions makes any sense, the Hindu OBCs listed by the Commission alone number 3743. This is against the total of 2399 listed by the first Commission and should mean that the really needy will be still swamped by the multitude, and if anything, more swamped than at the time of the first Commission. The Commission estimated the population of these communities at 52 per cent. But, because of the judicial constraint of keeping the overall reservations below 50 per cent, pegged the reservations for them at 27 per cent,

taking also into consideration the existing 22.5 per cent reservations for the SCs and STs.

Third and more important, the limitation of the Commission's survey for enumerating the OBCs. The survey was confined to two villages and one urban block in each district and as such could not have been sufficiently comprehensive as to cover each and every caste and community in the different districts. There are wide variations in the caste and community composition of the different villages in any region, and there is hardly any village which represents all the castes and communities of a given region. Because of this, it is difficult to assume that the different castes and communities in the two villages and one urban block surveyed together represent all the castes and communities within each district[8].

States and the OBCs

Unlike the SCs and STs the policy towards the OBCs varies widely from State to State. At one end of the spectrum are those States which till recently had not prepared any list of the OBCs or initiated any separate action for their upliftment. These include Arunachal Pradesh, Chandigarh, Madhya Pradesh, Tripura, and West Bengal.

At the other end are those States which have declared a major segment of their population between one-thirds and two-thirds as OBCs and offer them a range of benefits including employment and educational reservations. These are the peninsular States of Maharashtra, Andhra Pradesh, Karnataka, Kerala, and Tamil Nadu, all of which have a long history of backward classes movement and backward classes categories.

In between are the several States which have used the Constitutional provisions in varying but inconsequential degrees. Here again, the States fall into two broad categories. First, those which have taken only small measures. These include Assam and Pondicherry which offer only some educational reservations, and Rajasthan, Orissa, and Delhi which offer only some educational concessions but not any reservations. Second, those States which have used reservations along with concessions to a moderate extent. These include Bihar, Gujarat, Haryana Himachal Pradesh, Jammu and Kashmir, Punjab and Uttar Pradesh.

Data available on the States where the OBCs exist as a specific category for employment and educational reservations, as presented in Table 6, will give a general idea of the variations in the State patterns.

The Table reveals that the 'classes' deemed as OBCs, that is, as socially and educationally backward other than the SCs and STs, are predominantly caste and communal units. Though the Table does not indicate the size of the OBCs listed, their proportion in the State population ranges from a substantial to a small stratum just above the SCs. In some cases income criteria are also employed either independently or in conjunction with other tests[9].

Though hard data on the implementation of the Constitutional provisions by the various States are not available, the data available for Tamil Nadu, supposedly a 'model state' in special dispensation, present a dismal picture :

Only less than half of the existing OBCs have had any access to the various professional courses of education,

TABLE 6

OBC in selected States

SN	State / UT	Groups identified	% reservations Posts	Seats	Remarks
1	Andhra Pradesh	1) Aboriginal Tribes, Vimukta Jatis, Nomadic & Semi-Nomadic Tribes	7	7	Job reservations are under all State government depts & undertakings, & local bodies. Other benefits include allotment of 25% of the house sites, & 15% of the houses constructed by the Housing Board. OBCs with family income below Rs. 6000 are exempted from payment of tuition fees & are eligible for scholarships, hostel facilities, etc.
		2) Vocational groups	10	10	
		3) Harijan Converts	1	1	
		4) Other Classes	7	7	
2	Bihar	1) 128 communities as backward with 94 of them as most backward.	20	24	Job reservations cover all State government depts & undertakings, and local bodies. Other benefits include allotment of house sites, scholarships, reimtursement of tuition fees, etc.
		2) Women	3		
		3) Economically weaker sections.	3		
3	Gujarat	82 communities	5	10	The 10% reservation is in classes 3-4 of the State govt. service ; & 5% in classes 1-2 of all State government depts & undertakings, & local bodies. Other benefits include scholarships & other educational facilities for OBCs with annual family income not exceeding Rs. 4800 (Rs. 7200 for nomadic & denotified tribes).
4	Haryana	61 communities	10	2	
5	Himachal Pradesh	48 communities throughout the state ; 30 in merged areas ; and 15 in old areas.	5	2	

Table 6 (Contd.)

SN	State / UT	Groups identified	% reservations Posts	Seats	Remarks
6	Jammu & Kashmir	22 weak & underprivileged classes (mostly occupational communities) ; & residents of specified backward areas.	42	42	Other benefits include scholarships & stipends to OBCs with annual family income not exceeding Rs. 3000.
7	Karnataka	Backward communities	18	18	For determining social backwardness economic, residential, & occupational factors were also taken into account.
		Backward castes	10	10	
		Backward Tribes	5	5	
		Special Groups	15	15	
8	Kerala	1) Ezhavas	14	25	The %s are for posts other than in class 4. In class 4 the corresponding %s are 11, 10, 4, 1, 2, 2, 2, & 8 respectively. Only persons with annual family income below Rs. 6000 are eligible for the benefits.
		2) Muslims	12		
		3) Latin Catholics & Anglo-Indians	4		
		4) Nadars	1		
		5) SC Converts to Christianity	1		
		6) 22 communities like Asaris, Kammalas & Viswakarmas	3		
		7) Dheevara community	1		
		8) Other backward classes	4		
9	Maharashtra	1) Denotified & Nomadic Tribes	4	4	80% of all vacancies including those reserved for SCs, STs, & OBCs, under the State govt. depts, local bodies, etc. are reserved for ecomomically weaker sections with annual family income below Rs. 2400.
		2) Other backward Communities	10	10	
10	Punjab	68 communities	5	5	
11	Tamil Nadu	Backward Classes	30	30	Other benefits include scholarships, special training centres, hostels, etc.
		Most backward classes & denotified tribes	20	20	
12	Uttar Pradesh	37 Hindu and Muslim communities	15	15	

Source : Compiled from the Mandal Commission Report, GOI, Report of the Backward Classes Commission, 1980, vol. 1, chapter 2

and, to government services during 1980-82. There are wide variations even in the available access and by implication in the levels of backwardness. These must be evident from the data presented in Table 7.

Of the total OBC students admitted to the three professional courses of law, medicine, and engineering, more than three-fourths were from a small number of the OBCs (34 out of 222) accounting for only about two-fifths of the total OBC population in the State. Of the total number of OBC scholarships, the total amount of these scholarships, and candidates of all grades selected by the Public Service Commission (PSC), about two-thirds again went to this relatively small number.

Even within this small number, just about one-third (the first eleven), accounting for about one-third of the total OBC population, had cornered as much as two-thirds of the OBC admissions to the professional courses and more than half of the scholarship amounts, and OBCs selected by the PSC.

Limitations

The limitations of the hitherto evolved and implemented policies for the advancement of the OBCs must be already evident. The most important of them is, undoubtedly, the absence of any national policy evolved from a Constitutional perspective.

The second limitation is the absence, as in the case of the SCs and STs, of any mechanism to prevent the 'creaming effect' and concentration of the benefits within the upper stratum of the beneficiary groups. Though a group is generally identified as socially and educationally backward in the Constitutional sense, membership of such a group alone should not qualify anyone to claim the benefits of special dispensation. Only those persons who are still seemingly backward and disabled should be entitled to the benefits. It is the absence of any effective mechanism for ensuring this and the overstretching of the OBCs category by accommodating more and more groups for political reasons which have discredited an otherwise well-conceived policy.

The third limitation is the confusion between historical disability and contemporary disability. It is this confusion which has already polarised a sizeable section of the Indian population into the adherents of caste backwardness and adversaries of economic backwardness and vice versa.

While caste backwardness should ideally be an important criterion for determining social backwardness, how backward should be the really backward is a ticklish issue. It is for determining this lower limit that other criteria have to be used. However, the Mandal Commission has not succeeded in determining this lower limit. For, of the criteria of social backwardness only one (castes/classes considered as socially backward by others) is an indicator of caste backwardness and even that is not free from ambiguity. The other three criteria are a) castes/classes which mainly depend on manual labour for their livelihood, b) castes/classes in which at least 25 per cent females and 10 per cent males above State average get married at an age below 17 years in rural areas and at least 10 per cent females and 5 per cent males do so in urban areas, and c) castes/classes in which participation of females in work is at least 25 per

TABLE 7

OBCs by population and access to OBC benefits

SN	Code	Caste/Community	% in total OBCs population	% in total OBCs in professional courses	% in total OBCs scholarships	% in total OBCs scholarship amount	% in total OBCs selected by the PSC
1	231	Kongu Vellalar	6.8	7.6	4.3	6.5	5.3
2	243	Nadar/Shanar/Gramani	6.6	10.2	10.7	10.1	5.1
3	201	Agamudaiyar	5.0	11.1	10.8	9.8	12.1
4	802	Labbai	4.0	4.5	5.6	6.1	4.2
5	210	Gavara	2.6	8.2	5.7	6.7	7.2
6	218	Kaikolar/Sengunthar	2.5	6.2	4.3	5.4	6.4
7	220	Kallar	2.3	3.7	3.9	3.4	2.8
8	239	Maravar	1.5	2.3	2.5	2.8	2.2
9	264	Sozha Vellalar	1.3	2.3	1.6	2.2	1.7
10	206	Devangar	1.2	4.1	2.5	3.0	2.0
11	258	Sadhu Chetty	1.0	2.2	1.5	1.7	1.7
12	277	Vokkaligar	0.8	0.9	1.0	1.2	0.7
13	801	Dekkini Muslims	0.7	1.2	0.6	0.9	1.3
14	276	Veerakodi Vellalar	0.7	1.5	1.3	1.6	1.5
15	909	CSI/SIDC	0.6	1.0	0.0	0.0	1.1
16	263	Sourashtra	0.5	2.2	1.8	1.8	1.8
17	257	Reddy (Ganjam)	0.5	1.0	0.8	1.1	0.6
18	260	Saliyar	0.4	1.3	0.8	0.8	0.9
19	262	Senaithalaivar	0.4	0.9	0.7	0.7	0.7
20	225	Karuneegar	0.3	0.9	0.5	0.6	1.4
21	131	Sozhia Chetty	0.2	0.3	0.6	0.6	0.3
22	275	Vellan Chettiar	0.2	0.5	0.7	0.3	0.4
23	111	Jangam	0.2	0.3	0.5	0.3	0.4
24	224	Kannada Saineegar	0.2	0.4	0.3	0.0	0.4
25	109	Isai Vellalar	0.2	0.4	2.7	0.4	0.7
26	305	Chettu	0.1	0.2	0.2	0.1	0.2
27	113	Kongu Chettiar	0.1	0.3	0.1	0.0	0.2

SN	Code	Caste/Community	in total OBCs population	in total OBCs in professional courses	in total OBCs scholarships	in total OBCs scholarship amount	in total OBCs selected by the PSC
28	211	Gowda	0.1	0.2	0.4	0.5	0.1
29	127	Paravar	0.1	0.4	0.5	0.5	0.0
30	213	Idiga	0.1	0.2	0.1	0.1	0.2
31	245	Nangudi Vellalar	0.1	0.1	0.0	0.1	0.1
32	230	Khatri	0.1	0.3	0.0	0.0	0.0
33	112	Jogi	0.1	0.1	0.0	0.0	0.1
34	244	Nagaram	0.1	0.3	0.3	0.4	0.1
		Total	41.5	76.9	67.2	69.9	64.0
		Total of remaining 188 BCs	58.5	23.1	32.8	30.1	36.0

Source : Tabulated from, Government of Tamil Nadu, 1985, Report of the Tamil Nadu Second Backward Classes Commission, Vols 1-3: 100-123, 154-68, 179-97; reproduced from, P Radhakrishan, Ambasankar Commission and Backward Classes, EPW, 10 June 1989. The Code mentinoed is as in the Ambasankar Commission Report.

cent above the State average. These are not strictly criteria of either caste or social backwardness. For, in the traditional Indian society child marriage was an upper caste institution and its practice by the lower castes was because of its imitation effect (or of Sanskritisation as our anthropologists with upper-caste world view would have liked to put it). Participation in manual labour and female labour participation were, no doubt, mostly lower caste practices. But these are no more attributes of social backwardness in the traditional sense as both the economically well off and impoverished sections just above the lower castes (including women) also now participate in manual labour.

Consequently, while the Commission has succeeded in admitting as many castes as possible into the OBCs category through one or more of the different channels offered by it, it has failed in excluding any caste by limiting its tests to backwardness in the traditional sense. Stated differently, while the indicators used by the Commission are broad enough to ensure that all the backward in the different senses of the term are enumerated as backward, they are rather too broad as to cover also the layer just above the OBCs.

And that explains the rather high population estimate of the OBCs (52 per cent).

Though backward the castes in this layer do not come under the special *dispensation purview for the obvious* reason that their backwardness whether social or educational is not historically accumulated as not to be overcome by their own efforts or by general State action. The fact that many members of the middle and upper castes are economically poor does call for welfare measures in their favour. But, if they are also treated as backward along with the lower castes, only the former will be able to take advantage of the special dispensation provisions and not the latter. And that would amount to an invidious perpetration of the prevailing inequalities through Contitutional mechanisms.

NOTES

1 Legislative reservations, often seen with cynicism by the target groups themselves because of the lack of commitment of the beneficiaries and their vulnerability to political manipulations, and the limited spread effects of such reservations for the groups as a whole, are not discussed here any more.

2 "In the sophism doubtfully attributed to the French 14th-century schoolman Jean Buridan, an ass dying of starvation through inability to choose between two equidistant and equally desirable sources of food". Chambers Twentieth Century Dictionary, Sixth Reprint, 1981.

3 To cite an example, in in his letter of 26 August 1924, then DPI R. Littlehailes wrote to the Secretary to Government, Law (Education) Department, Madras: "from the time a member of a backward community adopts Christianity, his social position and outlook change and new opportunities are opening before him. In fact he is no longer 'backward'; whatever might have been his position prior to conversion; an Indian Christian enjoys rights and privileges even as against the Hindus which he could not have even dreamt of before". See, Government of Madras, GO 855, Law (Education), 19 May 1925.

4 For more details, see report of the Commission for SCs and STs, 1983-84.

5 Report of the Planning Commission's Working Group on the development of SCs and STs, 1980-85. 49; published in 1987. The Working Group also directed that "these data should be widely published by the Personnel Department and by the corresponding State Departments in order to eliminate scope for misleading and mischievous propaganda against the reservation policy". Ibid.

6 Though the Kaka Kalelkar Commission Report was not accepted by the Central Government, some of its recommendations were carried out by some

of the State Governments. A case in point is the introduction of the most backward classes category by the Madras Government in 1957.

7 The Kaka Kalelkar Commission Report and Government's reaction to it are discussed in the Mandal Commission Report. See, Government of India, Report of the Backward Classes Commission, 1980, vol.1: 1-2.

8 The discussion of the methodological limitations of the Mandal Commission Report is based on an earlier write up. See, P Radhakrishnan, 'Protective Discrimination & Other Backward Classes', The Hindu, 28 Dec 1982.

9 The discussion of the varying State patterns is partly based on Marc Galanter, *Competing Equalities: Law and the Backward Classes in India*, OUP, Delhi, 1984.

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